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GAP BETWEEN RICH AND POOR GROWS IN ALL REGIONS OF UNITED STATES BETWEEN 1989 AND 2001, SAYS NEW LEVY INSTITUTE STUDY

Latest Report from Levy Economics Institute's Comprehensive New Measure of Economic Well-Being Compares Well-Being across Regions, 1989–2001

ANNANDALE-ON-HUDSON, N.Y.—While policymakers consider structural imbalances, tax rates, monetary policy, and other measures as they attempt to sustain growth in the U.S. economy, it is critical to explore the impact of economic trends and policies on the average household's level of well-being. A new report from The Levy Economics Institute of Bard College finds that between 1989–2001—an era of strong macroeconomic performance for the United States—economic inequality grew in all regions of the country according to all measures of well-being.

In the latest report of the Levy Institute Measure of Economic Well-Being (LIMEW), Levy Institute scholars Edward N. Wolff and Ajit Zacharias examine how the average household fared in terms of economic well-being in different regions of the country (Northeast, Midwest, South, and West) between 1989 and 2001. The authors make their assessments in terms of gross money income (MI), the official measure of household economic well-being in the United States; extended income (EI), the U.S. Census Bureau's most comprehensive measure; and the LIMEW. The study, *Economic Well-Being in U.S. Regions and the Red and Blue States: Regional Aspects of Economic Well-Being in the United States, 1989–2001*, also discusses disparities in well-being among population subgroups and explores patterns of well-being in the so-called Red and Blue states.

The authors contend that all three measures show that median well-being was highest in the Northeast among the four regions, although its relative advantage was lower in 2001

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than in 1989. The average household in the south, meanwhile, was the least well-off by all measures. Their findings maintain that economic inequality in all regions was higher in 2001 than in 1989 by all measures of well-being, with the Northeast experiencing the greatest increase in inequality, and the Midwest the least. Much of the increase in inequality occurred during the early 1990s, according to the MI and EI measures, while the LIMEW shows inequality growing substantially later on, between 1995 and 2000, despite the strong macroeconomic performance during that period. "Inequality at the end of the 1990s expansion was higher than at the end of the 1980s expansion, and the gap between rich and poor households widened," the authors write, stressing, however, that the disparity in inequality by race declined during the period.

Regarding well-being in the Red and Blue states, Wolff and Zacharias found that there was a large lead in favor of the Blue states, although the gap between them narrowed between 1989 and 2000, and inequality in economic well-being rose considerably less in Red states than in Blue states during the period. Racial and ethnic disparities declined in the Red states, but showed no significant improvement in the Blue states. The authors' findings at times contradict the outcomes of the last two elections. "The overwhelming support for the Democratic Party among minority voters in the Blue states appears to be paradoxical in light of a lack of progress in racial disparity between 1989 and 2001," write Wolff and Zacharias, who found a similar contradiction in the Red States' continuing support of President Bush, despite both an absolute and relative loss of money income in those states during his first term.

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Economic Well-Being in U.S. Regions and the Red and Blue States: Regional Aspects of Economic Well-Being in the United States, 1989–2001

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