Frank P. Manzo IV
Policy Director

P: 708-375-1002

A Higher Road for a Better Tomorrow
ILLINOIS ECONOMIC POLICY INSTITUTE
ILEPI

P.O. Box 2378
La Grange, IL 60525

www.illinoisepi.org

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Contact: Frank Manzo IV, MPP; Illinois Economic Policy Institute; fmanzo@illinoisepi.org

New Report: The History of Economic Inequality in Illinois

First-Of-Its-Kind Study for Illinois Finds that Inequality has Increased to Great Depression-Era Levels, Driven by a Redistribution of Wealth from Labor to Capital

Economic inequality in Illinois has increased to levels not seen in decades, according to a new study by the Illinois Economic Policy Institute (ILEPI).

The report, entitled ***The History of Economic Inequality in Illinois: 1850-2014***, is the first ever historical analysis of wealth inequality, income inequality, and the labor-capital divide in Illinois.

Illinois' middle class was built through education, urbanization, industrialization, and unionization. While Illinois' population is now better educated and more urbanized than ever before, manufacturing has declined. One-third of the state's workforce was in manufacturing in 1950; today, the industry only employs 12 percent of Illinois workers. As manufacturing has declined, so has the state's labor movement: Union coverage has fallen by 0.3 percentage points per year since 1983.

The result has been an increase in both wealth inequality and income inequality. The report finds that the Top 1 Percent of homes in Illinois were 2.2 times as valuable as the median home in 1960. By 2014, the Top 1 Percent of homes were *at least* 6.7 times as valuable as the median home price. Similarly, the Top 1 Percent of workers took home 3.4 times as much in annual income as the median worker in 1960. Inequality swelled by 2014, with the Top 1 Percent now earning *at least* 14.3 times as much as the median worker.

Alarmingly, the annual income gap between Caucasian white workers and African-American workers was declining after 1960 but reversed course in 1980. Today, racial income inequality is at levels not seen since the dawn of the Civil Rights movement.

"The decline in worker wages can be attributed almost entirely to the rise of capital income," said Frank Manzo IV, study author and Policy Director of the Illinois Economic Policy Institute. "In Illinois, capital has risen faster than overall economic growth in every decade since 1980."

The economic data show that Illinois has experienced a 7 percent redistribution of wealth from labor to capital since 1980. Meanwhile, the share of Illinois' workers covered by a labor union has fallen by over 11 percentage points. As a result, income inequality between the Top 1 Percent of workers and the median worker has risen by 173 percent.

"There are a lot of reasons for this significant increase in economic inequality over recent decades," continued Manzo. "Exorbitant hikes in CEO pay, the long-term decline in unionization, and political changes that have primarily benefited the wealthy have played roles."

The report concludes that inequality can have negative economic impacts, such as reducing overall consumer demand, limiting opportunities for advancement, and shortening the life expectancy of residents.

"These are national trends that the state cannot completely counter on its own," warned Manzo. "But the study does outline ten possible steps that the people of Illinois could take to fight back."

The ten solutions:

- facilitating union organizing,
- improving the quality of public infrastructure,
- increasing investment in early childhood education and higher education,
- supporting worker training programs,
- raising the minimum wage and indexing it to inflation,
- implementing a progressive income tax,
- expanding the earned income tax credit (EITC),
- cracking down on employee misclassification,
- relaxing zoning restrictions, and
- ending residential segregation.

"Looking forward, Illinois' residents must decide whether they want to live in a state with even greater inequality or a state with a strong middle class," said Manzo. "Rising economic inequality is not predetermined or inevitable. Solutions are available to generate broad-based prosperity for all."

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The full report can be found at here: http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/The-History-of-Economic-Inequality-in-Illinois-FINAL.pdf.

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