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Anatomy of US Inequality

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Anatomy of US Inequality

*Oded Galor and Daniel C. Wainstock**

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Is income inequality in the United States primarily driven by disparities between ethnic groups or within them? The evidence reveals a striking pattern: 96% of U.S. income inequality arises from variation within groups sharing common ancestral origins, far overshadowing the comparatively small share attributable to differences between these groups. This pattern remains remarkably stable across time and regions.

Keywords: Inequality, Ethnicity, Within Group Inequality, Between Group Inequality

JEL codes: O15, Z13, D63, J15

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1. Introduction

Inequality has profoundly shaped the course of human progress and eroded the foundations of intergenerational mobility, yet its underlying causes remain elusive, hindering the development of effective strategies to promote equity and social cohesion. Addressing the enduring consequences of inequality—for equality of opportunity and the resilience of the social fabric—hinges on identifying whether its primary source lies between ethnic groups or within them. Is inequality primarily driven by disparities between ethnic groups, or within them?

The roots of inequality may profoundly shape its effects on social cohesion and economic growth. Inequality between ethnic groups could sow seeds of resentment, fragment the social fabric, and erode trust, fueling tensions, polarization, and conflict. Such a divide might marginalize segments of society, preventing their full engagement in the economic landscape and undermining efficiency, accumulation, and innovation. In contrast, inequality within ethnic groups often reflects disparities in access to education, credit markets, and other formative opportunities that shape individuals' skills and life trajectories—constraints that may hinder human capital formation, limit mobility, and impede economic growth.[1]

Determining the roots of inequality could be indispensable to the pursuit of economic efficiency and social cohesiveness. If inequality stems predominantly from gaps between ethnic groups, policies aimed at reducing intergroup disparities—affirmative action, targeted social programs, and anti-discrimination legislation—may be particularly suitable for narrowing inequality. Yet if inequality emerges primarily within ethnic groups, remedies may prove more effective when oriented toward the unequal distribution of resources and opportunities within communities. Policies designed to expand access to quality education, financial markets, and healthcare, while removing mobility barriers based on income rather than ethnicity, could yield a more pronounced reduction in aggregate inequality.

This paper examines inequality within the U.S. population, exploring variations between and within ethnic groups. Leveraging the ancestral origins of a representative sample of the U.S. population, consisting of millions of U.S.-born, working-age individuals, the study decomposes income inequality into within-group and between-group components, distinguishing disparities among those sharing a common ancestry from inequality between groups originating from different ancestries.

The empirical analysis reveals a striking and remarkable regularity: inequality among individuals descended from a common ancestral origin is the dominant and overwhelming source of contemporary income inequality in the United States. Inequality within ethnic groups is an order

[1] Notably, diversity within groups, and its impact on within group inequality, outweighs diversity between groups with respect to the sources of overall societal diversity or cultural diversity (Desmet et al., 2017).

of magnitude greater than inequality between them. Specifically, the decomposition reveals that within-group inequality accounts for a staggering 96% of total income variation, while between-group inequality contributes only 4%. This striking and robust finding upends the prevailing view that cultural, historical, or institutional differences between ethnic groups are the primary forces behind U.S. inequality. Instead, it highlights the central and overlooked role of factors that differentiate individuals *within* ethnic groups—such as unequal opportunities and heterogeneity in productive attributes—as the principal drivers of contemporary disparities.

Notably, the dominance of inequality within ethnic groups persists across four fundamental dimensions: temporal, educational, demographic, and spatial. First, although overall inequality has increased over the past four decades, the overwhelming contribution of within-ethnic-group inequality has remained remarkably stable. Second, when restricting the sample to individuals with the same educational attainment and demographic characteristics, within-ethnic-group inequality still accounts for the principal share of income dispersion. Finally, spatial decomposition reveals that the predominance of within-group inequality holds across local micro-areas throughout the U.S. Interestingly, the South exhibits a modestly smaller share of within-group inequality—a pattern consistent with the region's greater ethnic fragmentation and enduring legacy of discrimination, further reinforcing the broader empirical pattern.

2. Data and Empirical Strategy

This paper examines the sources of income inequality using microdata from the American Community Survey (ACS) 2010 and 2020 (5-year samples), as well as the Censuses from 1980, 1990, and 2000.[2] Our baseline sample consists of approximately 4 million U.S.-born individuals aged 25 to 64 who are in the labor force.[3]

We analyze the distribution of inequality across and within ancestral groups using the Theil index—a well-known, decomposable measure from the generalized entropy class that allows total income inequality to be partitioned into "within-group" and "between-group" components. This

[2]The baseline analysis relies on the ACS 2010 (5-year sample) because the ACS 2020 and 2023 (5-year samples) may be compromised by disruptions associated with the Covid-19 pandemic, and the ACS 2023 (1-year sample) lacks the statistical precision inherent in a 5-year sample. Importantly, the pattern detected in the ACS 2010 (5-year sample) is highly representative of the period as a whole, and the contribution of within-group inequality to overall inequality remains remarkably stable from 1980 to 2020 (Figure 2), as well as in the ACS 2023 (Figure B.19).

[3]The raw sample consists of 12 million individuals, of whom 64% are in the labor force. Of the remainder, 83% are U.S.-born, and 80% of this group are aged 25 to 64—yielding 5 million individuals. Individuals who: (i) do not report an ancestry (10%), (ii) are classified under residual categories (1%)—"mixture," "uncodable," or "other," or (iii) report their ancestry as "American" or "United States" (7%) are further excluded, resulting in a sample of 4 million. As shown in Figure B.1, Figure B.2, Figure B.4, Figure B.5, and Figure B.21, the findings are qualitatively unaffected by these exclusions.

framework enables us to quantify the share of observed disparities attributable to differences within ancestral groups versus differences between them.[4]

The Theil index, T, is defined as:

$$T = \frac{1}{N} \sum_{i=1}^{N} \frac{y_i}{\bar{y}} \ln\left(\frac{y_i}{\bar{y}}\right),$$

where y_i is the income of individual i, $\bar{y}$ is the mean income of the population, and N is the total number of individuals. If the population is partitioned into G mutually exclusive and collectively exhaustive groups (e.g., based on shared ancestral origin), the index can be additively decomposed into the within-group component, T_{within}, capturing inequality arising from income variation among individuals within each group, and the between-group component T_{between} capturing inequality driven by differences in mean incomes across groups.

$$T = T_{\text{within}} + T_{\text{between}} = \sum_{g=1}^{G} \left(\frac{N_g}{N} \frac{\bar{y}_g}{\bar{y}} T_g\right) + \sum_{g=1}^{G} \left(\frac{N_g}{N} \frac{\bar{y}_g}{\bar{y}} \ln\left(\frac{\bar{y}_g}{\bar{y}}\right)\right),$$

where G is the total number of groups, N_g is the number of individuals in group g, $\bar{y}_g$ is the mean income within group g, and T_g is the Theil index computed using only individuals in group g.

3. Results

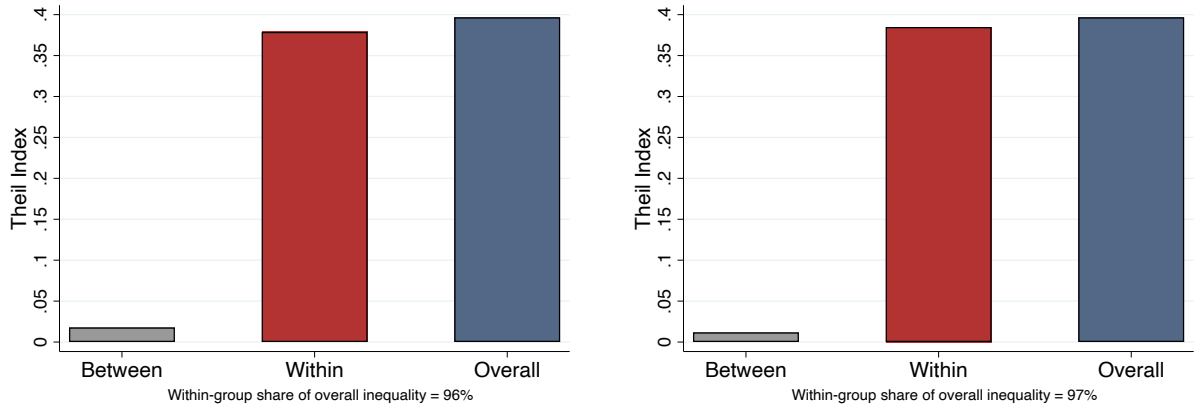
3.1. Main Findings

Inequality within groups sharing common ancestral origins is an order of magnitude greater than inequality between groups.[5] In particular, as indicated in Figure 1, inequality within the 186 distinct ancestral groups (as reported in Appendix A.3) accounts for 96% of the variation in overall

[4]The Theil index has two common formulations: Theil's T, more sensitive to top-end inequality, and Theil's L, more sensitive to the bottom. Our baseline analysis uses Theil's T, as Theil's L is undefined for individuals with zero income. As shown in Figure B.18, the results are unchanged when using Theil's L once all incomes are increased by one dollar, confirming the robustness of the findings across both measures.

[5]To address potential measurement error in group assignment among individuals reporting multiple ancestries (36% of our sample), we conduct a comprehensive set of sensitivity checks. First, we restrict the analysis to individuals who report only a single ancestry (Figure B.8). Second, we focus on individuals with multiple ancestries and define group membership based on their full ancestry bundle (Figure B.9). Third, we retain the full baseline sample and redefine group membership using the ancestry bundle for all individuals, including those reporting only a single ancestry (Figure B.10). Across all three specifications, the results remain robust. Moreover, the reliance on individuals' self-reported ancestry appears to have limited influence on our findings: using data from second-generation migrants in the *Current Population Survey* (CPS), where parental country of birth is directly observed, yields qualitatively similar results (Figure B.22).

income inequality in the U.S., while between-group inequality accounts for only 4%.[6] Similarly, inequality within six broad ethnic categories (Asian, Black, Hispanic, Native American, Pacific Islander, and White) accounts for 97% of the variation, while between-group inequality accounts for just 3%.[7]



(a) Ancestry (b) Ethnicity

Figure 1: Decomposition of US Income Inequality

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components, where group membership is defined in two ways: (i) 186 distinct ancestries; and (ii) six broad ethnic categories (Asian, Black, Hispanic, Native American, Pacific Islander, and White).

3.2. Absence of Temporal Trend

The role of within-group inequality remained remarkably stable over the period 1980–2020, despite significant changes in the economic environment, labor markets, and policy landscapes. Tracing the evolution of inequality in the U.S. over this 40-year span—using data from the Censuses of 1980, 1990, and 2000, as well as ACS 2010 and 2020 (5-year samples)—inequality within ethnic groups consistently accounted for the vast majority of overall income inequality, as shown

[6]The baseline analysis focuses on the ancestry classification, since the six major ethnic categories—Asian, Black, Hispanic, Native American, Pacific Islander, and White—mask the rich diversity of ancestral backgrounds that have shaped the U.S. population.

[7]We compute bootstrap confidence intervals for our baseline Theil decomposition, using 1,000 replicates from the original dataset. The resulting 95% confidence interval for the share of inequality explained by within-group differences is remarkably tight, spanning approximately ± 0.1 percentage points around the point estimate of 96%. This narrow interval reflects the very large size of our dataset, which yields highly precise estimates. Given the computational cost of bootstrapping on a dataset with millions of observations, we do not replicate the bootstrap procedure for the remaining analyses in the paper.

in Figure 2. Specifically, it has remained the primary driver, contributing between 95% and 97% of total income variation, regardless of the period examined.[8]

Notably, although overall income inequality has risen since the 1980s, inequality within ethnic groups has consistently accounted for the overwhelming and stable share of the total. This persistent pattern underscores the deeply entrenched disparities within ancestral groups, suggesting that factors such as unequal access to education (Galor and Zeira, 1993; Benabou, 1996; Eicher and Garcıa-Penalosa, 2001; De La Croix and Doepke, 2003), differences in equality of opportunity, and heterogeneity in productive traits (Galor et al., 2023) have been key drivers of within-group inequality, shaping the broader structure of inequality in the U.S. over the past four decades.[9]

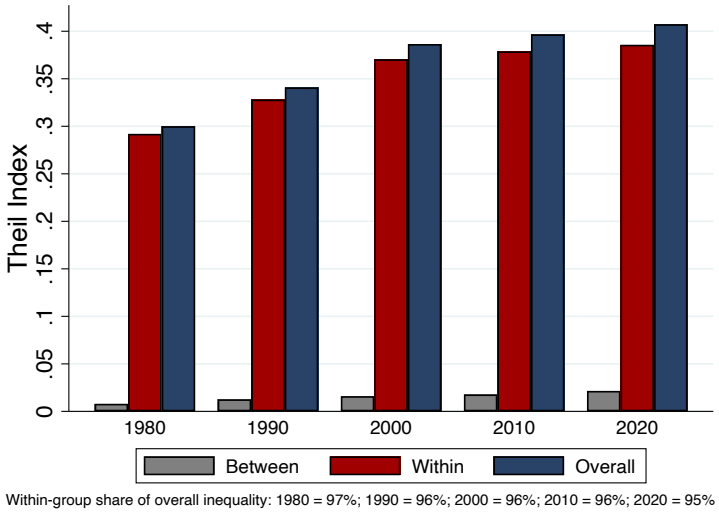


Figure 2: Decomposition of US Income Inequality Over Time

Notes: This figure illustrates the persistent dominance of inequality within ethnic groups in overall inequality during the period 1980–2020.

3.3. Robustness to Demographic Characteristics and Educational Attainment

The overwhelming dominance of inequality within ethnic groups is evident separately among men and women, as well as across age groups (25–34, 35–44, 45–54, and 55–64): in these subsamples, within-ethnic-group inequality accounts for 94–98% of overall income inequality (Figure B.11). This primacy of within-ethnic-group inequality persists when the population is seg-

[8] Inflation adjustment is unnecessary in this analysis, as all inequality decompositions are performed independently within each cross-sectional dataset, making intertemporal price variation irrelevant for the measurement of the evolution of the overall level of inequality and its decomposition into within- and between-group components.

[9] Saez and Zucman (2020) explore the evolution of overall U.S. inequality during this period.

mented by educational attainment.[10] As illustrated in Figure B.12, inequality within ethnic groups remains the dominant component of overall inequality, accounting for more than 97% among individuals both with and without college degrees.[11]

3.4. Persistence Across U.S. Regions

However, some spatial variation exists in the share of inequality accounted for by disparities within ethnic groups. While the national pattern largely prevails across regions, local factors may shift the balance in certain areas, offering valuable insights for tailoring policy interventions to local inequality dynamics. In the vast majority of areas, within-group inequality accounts for more than 90% of the total, though in rare instances, this share falls to as low as 63%.

Notably, in the U.S. South—characterized by greater ethnic fragmentation and a history of more pronounced ethnic discrimination—the dominance of within-group inequality remains substantial, though modestly attenuated relative to other regions.

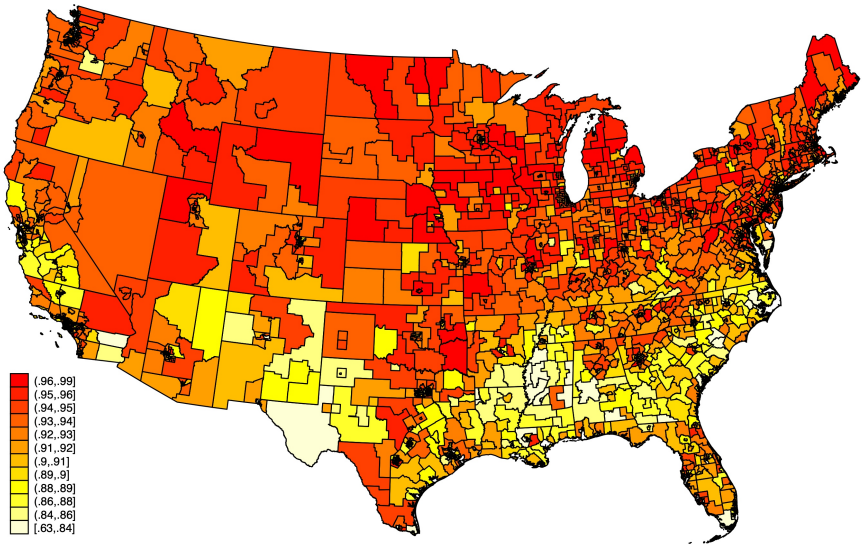


Figure 3: Share of Inequality Within Ethnic Group Across U.S. Regions

Notes: This figure depicts the fraction of overall contemporary income inequality accounted for by inequality within ethnic groups, across Census Public-Use Microdata Areas (PUMAs).

[10] Unlike the existing literature, which has primarily focused on the evolution of inequality within and between education groups (Juhn et al., 1993), this analysis emphasizes the decomposition of inequality within and between ethnic groups at each level of education.

[11] The overwhelming dominance of inequality within ethnic groups also persists across occupational categories segmented by required skill levels (Figure B.13).

3.5. Robustness to Alternative Employment Samples

The baseline analysis was performed on a sample of U.S.-born individuals in the labor force, aged 25 to 64, focusing on the sources of inequality among those actively participating in the economy and whose human capital formation is mostly complete. However, as shown in Figure B.1, Figure B.6, and Figure B.7, the findings remain qualitatively unchanged when the sample is expanded to include individuals aged 16–24 and over 64, or when it is restricted to specific employment categories: (i) employed individuals, (ii) full-time, year-round workers, (iii) wage workers, or (iv) the self-employed. [12]

The baseline sample excludes individuals not in the labor force. However, cultural, historical, and institutional forces may have constrained the educational and employment opportunities of certain ethnic groups, contributing to their disproportionate exclusion. Yet, as shown in Figure B.2, even when individuals outside the labor force are included, the within-group component remains the overwhelming driver of overall inequality, accounting for more than 96% of the total.

3.6. The Impact of Migrants' Assimilation

Migrant assimilation across generations has profoundly shaped the share of income inequality arising from the between-ethnic-group component. First-generation migrants often face significant hurdles in the labor market, including language barriers, distinct social norms, and misaligned educational backgrounds, which exacerbate discrimination and stigmatization, amplifying the contribution of between-ethnic-group inequality to their overall disparity. Over time, however, as economic marginalization fades and assimilation deepens, this component is likely to diminish among second-generation migrants as they become increasingly embedded in the economic landscape. The evolving trend in between-ethnic-group inequality across first-generation, second-generation, and subsequent migrants could shape policy interventions that account for varying degrees of assimilation among former migrants.

Indeed, the contribution of inequality between ethnic groups is substantially higher among first-generation migrants.[13] Specifically, as illustrated in Figure B.20, between-ethnic-group inequality accounts for 15.8% of overall inequality among first-generation migrants, compared to just 4% in the baseline sample of U.S.-born individuals.[14] Moreover, among second-generation migrants

[12] Full-time, year-round workers are defined as individuals employed for at least 35 hours per week and working at least 50 weeks per year.

[13] Augmenting the baseline sample with first-generation migrants has minimal impact on the baseline results (Figure B.21).

[14] For consistency with our baseline results, group membership among first-generation migrants is defined by ancestry. Defining group membership by birthplace yields similar results, with 14.3% compared to 15.8% based on ancestry (Figure B.20).

(i.e., those born in the U.S. to migrant parents), the effect diminishes, with between-ethnic-group inequality accounting for 12.6% of total inequality, down from the 15.8% observed among first-generation migrants (Figure B.22).[15] This nuanced pattern highlights how the historical, cultural, and institutional legacies of the source countries fade over generations, though some remnants of between-group disparities persist into the second generation.

4. Concluding Remarks

This study uncovers a striking empirical regularity: more than 96% of contemporary income inequality in the United States arises from disparities within ethnic groups, rather than between them. This pattern is remarkably consistent across time and regions. Unlike traditional accounts that attribute U.S. inequality primarily to differences between ethnic groups, these findings reveal a markedly different pattern, highlighting the trade-offs associated with different strategies for reducing inequality.

[15] Due to the absence of parental country of birth information in the ACS 2010 (5-year sample), we rely on data from the 2010 Current Population Survey (CPS).

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Online Appendix

Contents

A Data and Empirical Strategy

A.1 Variable Definitions and Sources

- Ancestry. We adopt the coding of the `ancestr1` variable from the IPUMS USA dataset.[16] Individuals who do not do report an ancestry are excluded from the analysis. Additionally, we exclude residual categories, including (i) "mixture," (ii) "uncodable," and (iii) "other". Finally, we exclude the individuals who report their ancestry as "American" or "United States."[17] For the second-generation migrants analysis, we use the coding of the `mbpl` variable (mother's birthplace) from the IPUMS CPS dataset. Data Source: Ruggles et al. (2023) and Flood et al. (2023).

- Ethnicity. We adopt the coding of the `rachsing` variable from the IPUMS USA dataset. In this coding, the Asian and Pacific Islander categories are combined. To refine this classification, we utilize the `raced` (detailed race) variable to disaggregate these responses, allowing us to separate Asians and Pacific Islanders into distinct groups.[18] Data Source: Ruggles et al. (2023).

- Earned income. We adopt the coding of the `incearn` variable (total personal earned income) from the IPUMS USA dataset.[19] In the ACS multi-year files (e.g., ACS 2010 (5-year sample)), all dollar amounts have been standardized by IPUMS to dollars as valued in the final year of data included in the file. For the second-generation migrants analysis, we use the coding of the `incbus` (non-farm business income), `incfarm` (farm income), and `incwage` (wage and salary income) variables from the IPUMS CPS dataset to construct the total personal earned income. Data Source: Ruggles et al. (2023) and Flood et al. (2023).[20]

[16] Our baseline result remains robust under two alternative ancestry definitions: (i) modern national homelands and (ii) detailed ancestry classifications from IPUMS USA, which provide finer distinctions of ancestral origin (Figure B.3).

[17] Including these individuals does not alter our findings (Figure B.4).

[18] For consistency with the analysis based on ancestry, the baseline sample in this specification also excludes individuals who do not report an ancestry, are classified under residual ancestry categories—namely (i) "mixture," (ii) "uncodable," or (iii) "other"—or who report their ancestry as "American" or "United States." Reassuringly, relaxing these restrictions does not affect the results (Figure B.5).

[19] In our sample, 2.3% of individuals report zero income and 0.1% report negative income. Negative values arise because earned income includes business and self-employment income, which can be negative in cases of financial loss. Since the Theil index is undefined for negative values, we treat individuals with negative income as having zero income. As a result, 2.4% of the sample is considered to have zero income in the inequality decomposition. Excluding individuals whose income is negative does not affect the results as shown in Figure B.16.

[20] In our sample, topcoded individuals account for 1.4% of observations. To address this, we apply a standard Pareto-imputation procedure, implemented separately for wage income and business income, as these components are topcoded independently and at different thresholds in the ACS. For each state-year cell, we estimate the Pareto shape parameter α using the top 1% of non-topcoded observations within each component. Topcoded values are then replaced with the expected value from the fitted Pareto distribution above the relevant topcoding threshold. Total

- Sex. We adopt the coding of the `sex` variable from the IPUMS USA dataset. Data Source: Ruggles et al. (2023).
- Age group. We adopt the coding of the `age` variable from the IPUMS USA dataset to define four distinct age groups: (i) 25-34, (ii) 35-44, (iii) 45-54, and (iv) 55-64. Data Source: Ruggles et al. (2023).
- Education. We adopt the coding of the `educd` variable from the IPUMS USA dataset to classify individuals according to whether they have college completed. Data Source: Ruggles et al. (2023).
- Occupation. We adopt the coding of the `occ1950` variable from the IPUMS USA dataset to define three distinct occupational groups: (i) low-skill (skilled agricultural and fishery workers, crafts and related trades workers, and elementary occupations), (ii) mid-skill (clerks, service workers and shop and market sales, and plant and machine operators and assemblers), and (iii) high-skill (legislators, senior officials and managers, professionals, and technicians and associate professionals). Data Source: Ruggles et al. (2023).
- Class of worker. We adopt the coding of the `classwkr` variable from the IPUMS USA dataset to classify individuals according to whether they are wage-workers or self-employed. Data Source: Ruggles et al. (2023).
- Secondary ancestry. We adopt the coding of the `ancestr2` variable from the IPUMS USA dataset. Data Source: Ruggles et al. (2023).

earned income is subsequently reconstructed as the sum of the adjusted components. As shown in Figure B.17, this adjustment does not affect our findings: the within-group component still accounts for 96% of overall inequality.

A.2 Summary Statistics

Table A.1: Summary Statistics

	MEAN	SD	MEDIAN	MIN	MAX	N
A. BASELINE						
Earned income	49,807	55,048	37,860	0	1,267,215	4,236,162
Male	0.52	0.50	1	0	1	4,236,162
College completed	0.35	0.48	0	0	1	4,236,162
25-34 years old	0.26	0.44	0	0	1	4,236,162
35-44 years old	0.27	0.44	0	0	1	4,236,162
45-54 years old	0.29	0.45	0	0	1	4,236,162
55-64 years old	0.18	0.39	0	0	1	4,236,162
Low skill	0.13	0.34	0	0	1	4,236,162
Mid skill	0.39	0.49	0	0	1	4,236,162
High skill	0.47	0.50	0	0	1	4,236,162
Urban	0.84	0.37	1	0	1	3,893,234
Self-employed	0.10	0.30	0	0	1	4,236,162
Employed	0.94	0.24	1	0	1	4,236,162
Full-time, year-round worker	0.69	0.46	1	0	1	4,236,162
Single ancestry	0.64	0.48	1	0	1	4,236,162
Winsorized income	0.004	0.06	0	0	1	4,236,162
B. BASELINE + OUT OF LABOR FORCE						
Earned income	40,112	52,939	30,000	0	1,267,215	5,406,140
Out of labor force	0.21	0.41	0	0	1	5,406,140
C. BASELINE + 16-24 YEARS OLD						
Earned income	43,576	52,486	31,872	0	1,267,215	4,963,581
16-24 years old	0.17	0.37	0	0	1	4,963,581
D. BASELINE + FIRST-GENERATION MIGRANTS						
Earned income	48,003	54,171	35,577	0	1,267,215	5,165,243
First-generation migrant	0.21	0.41	0	0	1	5,165,243

Notes: The table provides for all variables used in the data analysis the mean, the standard deviation (SD), the median, the minimum value (MIN), the maximum value (MAX), and the number of observations (N).

Table A.2: Summary Statistics

	MEAN	SD	MEDIAN	MIN	MAX	N
E. CENSUS 1980						
Earned income	14,630	12,116	12,255	0	225,000	3,053,980
F. CENSUS 1990						
Earned income	26,057	24,977	21,000	0	409,936	3,796,027
G. CENSUS 2000						
Earned income	39,739	44,063	30,000	0	680,000	3,474,307
H. ACS 2020 (5-YEAR SAMPLE)						
Earned income	62,516	70,711	45,562	0	1,310,577	3,650,083
I. FIRST-GENERATION MIGRANTS						
Earned income	41,263	50,118	28,000	0	1,036,260	974,234
J. SECOND-GENERATION MIGRANTS						
Earned income	38,553	45,571	27,972	0	385,634	4,369

Notes: The table provides for all variables used in the data analysis the mean, the standard deviation (SD), the median, the minimum value (MIN), the maximum value (MAX), and the number of observations (N).

A.3 Composition of the US Population:

This section reports the share of the population associated with each ancestry group, based on the four definitions used throughout the paper.

- **Ancestry:** Acadian (0.05%); Afghan (<0.01%); African (0.50%); African-American (11.12%); Afro-American (1.78%); Albanian (0.02%); Aleut (<0.01%); Algerian (<0.01%); Alsatian, Alsace-Lorraine (<0.01%); American Indian (All Tribes) (3.30%); Anguilla Islander (<0.01%); Arab (0.02%); Argentinean (0.02%); Armenian (0.08%); Asian (0.05%); Asian Indian (0.08%); Assyrian/Chaldean/Syriac (<0.01%); Australian (0.01%); Austrian (0.20%); Bahamian (<0.01%); Barbadian (<0.01%); Basque (0.02%); Belgian (0.11%); Belizean (<0.01%); Belorussian (<0.01%); Bengali (<0.01%); Bohemian (0.11%); Bolivian (<0.01%); Brazilian (0.01%); British (0.38%); British Isles (0.02%); British Virgin Islander (<0.01%); British West Indian (<0.01%); Bulgarian (<0.01%); Burmese (<0.01%); Cambodian (<0.01%); Cameroonian (<0.01%); Canadian (0.15%); Cantonese (<0.01%); Cape Verdean (0.02%); Central American Indian (<0.01%); Chamorro Islander (<0.01%); Chicano/Chicana (0.02%); Chilean (0.01%); Chinese (0.31%); Colombian (0.06%); Costa Rican (0.01%); Croatian (0.12%); Cuban (0.22%); Czechoslovakian (0.49%); Danish (0.43%); Dominican (0.09%); Dutch (1.37%); Dutch West Indies (0.01%); Eastern European, Nec (0.25%); Ecuadorian (0.04%); Egyptian (0.01%); English (8.77%); Eritrean (<0.01%); Eskimo (0.02%); Estonian (<0.01%); Ethiopian (<0.01%); Eurasian (<0.01%); European, Nec (1.53%); Fijian (<0.01%); Filipino (0.34%); Finnish (0.23%); Flemish (<0.01%); French (2.71%); French Canadian (0.83%); Georgian (<0.01%); German (18.24%); Germans From Russia (<0.01%); Ghanian (<0.01%); Greek (0.45%); Grenadian (<0.01%); Guamanian (<0.01%); Guatemalan (0.03%); Guyanese/British Guiana (<0.01%); Haitian (0.05%); Hawaiian (0.16%); Hispanic (0.75%); Hmong (0.01%); Honduran (0.02%); Hungarian (0.45%); Icelander (0.02%); Indonesian (<0.01%); Iranian (0.03%); Iraqi (<0.01%); Irish, Various Subheads, (11.52%); Israeli (0.01%); Italian (6.79%); Jamaican (0.06%); Japanese (0.36%); Jordanian (<0.01%); Kenyan (<0.01%); Korean (0.11%); Kurdish (<0.01%); Laotian (<0.01%); Latin American (0.06%); Latvian (0.03%); Lebanese (0.12%); Liberian (<0.01%); Lithuanian (0.21%); Luxemburger (0.01%); Macedonian (0.01%); Malaysian (<0.01%); Maltese (0.01%); Mexican (3.26%); Mexican American (1.14%); Micronesian (<0.01%); Middle Eastern (0.01%); Mongolian (<0.01%); Moroccan (<0.01%); Nepali (<0.01%); New Zealander (<0.01%); Nicaraguan (0.02%); Nigerian (0.01%); North American (<0.01%); Northern European, Nec (0.12%); Norwegian (1.66%); Nuevo Mexicano (0.05%); Okinawan (<0.01%); Other Arab (<0.01%); Other Asian (<0.01%); Other Pacific (<0.01%); Other Subsaharan Africa (<0.01%); Other West Indian (<0.01%); Pacific Islander (0.01%); Pakistani (0.01%); Pales-

tinian (0.01%); Panamanian (0.02%); Paraguayan (<0.01%); Peruvian (0.03%); Polish (3.30%); Polynesian (<0.01%); Portuguese (0.40%); Prussian (0.02%); Puerto Rican (0.88%); Punjabi (<0.01%); Rom (<0.01%); Romanian (0.08%); Russian (0.85%); Salvadoran (0.05%); Samoan (0.02%); Scandinavian, Nordic (0.23%); Scotch Irish (1.84%); Scottish (2.02%); Senegalese (<0.01%); Serbian (0.04%); Sicilian (0.07%); Sierra Leonean (<0.01%); Slav (0.04%); Slavonian (<0.01%); Slovak (0.24%); Slovene (0.06%); Somalian (<0.01%); South African (<0.01%); South American (<0.01%); South American Indian (<0.01%); Spaniard (0.11%); Spanish (0.58%); Spanish American (0.03%); Sri Lankan (<0.01%); St Lucia Islander (<0.01%); Sudanese (<0.01%); Swedish (1.31%); Swiss (0.27%); Syrian (0.03%); Taiwanese (0.02%); Texas (0.02%); Thai (0.02%); Tongan (<0.01%); Trinidadian/Tobagonian (0.01%); Turkish (0.02%); Ukrainian (0.22%); Uruguayan (<0.01%); Venezuelan (<0.01%); Vietnamese (0.06%); Welsh (0.52%); West African (<0.01%); West Indian (0.03%); Western European, Nec (0.12%); White/Caucasian (4.42%); Yemeni (<0.01%); Yugoslavian (0.06%).

- **Ethnicity:** American Indian (0.81%); Asian (1.16%); Black (13.85%); Hispanic (7.62%); Pacific Islander (0.11%); White (76.45%).

- **Detailed Ancestry:** Acadian (1990-2000, Acs, Prcs) (<0.01%); Afghan (<0.01%); African (0.50%); African-American (1990-2000, Acs, Prcs) (11.12%); Afro (<0.01%); Afro-American (1990-2000, Acs, Prcs) (0.47%); Albanian (0.02%); Aleut (<0.01%); Algerian (<0.01%); Alsatian (<0.01%); Amerasian (1990-2000, Acs, Prcs) (<0.01%); American Indian (All Tribes) (1.58%); Anglo (1990-2000, Acs, Prcs) (0.22%); Antigua (1990-2000, Acs, Prcs) (<0.01%); Appalachian (1990-2000, Acs, Prcs) (<0.01%); Arab (<0.01%); Arabic (1990-2000, Acs, Prcs) (0.01%); Argentinean (0.02%); Armenian (0.08%); Asian (0.05%); Assyrian (<0.01%); Australian (0.01%); Austrian (0.20%); Bahamian (<0.01%); Bangladeshi (1990-2000, Acs, Prcs) (<0.01%); Barbadian (<0.01%); Basque (1990-2000) (0.02%); Belgian (0.11%); Belizean (<0.01%); Belorussian (<0.01%); Bengali (1990-2000, Acs, Prcs) (<0.01%); Black (1990-2000, Acs, Prcs) (1.26%); Bohemian (1990-2000, Acs, Prcs) (0.11%); Bolivian (<0.01%); Bosnian (1990) Herzegovinian (2000, Acs, Prcs) (<0.01%); Brazilian (0.01%); British (0.38%); British Isles (0.02%); British West Indian (<0.01%); Bulgarian (<0.01%); Burmese (1990-2000, Acs, Prcs) (<0.01%); Cajun (1990-2000, Acs, Prcs) (0.04%); Cambodian (<0.01%); Cameroonian (<0.01%); Canadian (0.15%); Cantonese (1990-2000, Acs, Prcs) (<0.01%); Cape Verdean (0.02%); Celtic (0.02%); Central American (1990-2000, Acs, Prcs) (<0.01%); Central American Indian (1990-2000, Acs, Prcs) (<0.01%); Chaldean (2000, Acs, Prcs) (<0.01%); Chamorro Islander (<0.01%); Cherokee (0.36%); Chicano/Chicana (0.02%); Chilean (0.01%); Chinese (0.31%); Colom-

bian (0.06%); Costa Rican (0.01%); Creole (1990-2000, Acs, Prcs) (0.01%); Croatian (0.12%); Cuban (0.22%); Czech (0.37%); Czechoslovakian (0.12%); Danish (0.43%); Dominican (0.09%); Dutch (1.37%); Dutch West Indies (0.01%); East Indian (1990-2000, Acs, Prcs) (<0.01%); Eastern European, Nec (0.25%); Ecuadorian (0.04%); Egyptian (0.01%); English (8.77%); Eritrean (<0.01%); Eskimo (0.02%); Estonian (<0.01%); Ethiopian (<0.01%); Eurasian (<0.01%); European, Nec (1.53%); Fijian (<0.01%); Filipino (0.34%); Finnish (0.23%); Flemish (<0.01%); French (1990-2000, Acs, Prcs) (2.71%); French Canadian (0.83%); Georgian (<0.01%); German (1990-2000, Acs/Prcs) (18.12%); German From Russia (1990-2000); German Russian (Acs, Prcs) (<0.01%); Ghanian (<0.01%); Greek (0.45%); Grenadian (<0.01%); Guamanian (<0.01%); Guatemalan (0.03%); Guyanese/British Guiana (<0.01%); Haitian (0.05%); Hawaiian (0.16%); Hispanic (0.75%); Hmong (0.01%); Honduran (0.02%); Hungarian (0.45%); Icelander (0.02%); India (1990-2000, Acs, Prcs) (0.07%); Indian (0.55%); Indonesian (1990-2000, Acs, Prcs) (<0.01%); Iranian (0.03%); Iraqi (<0.01%); Irish (11.50%); Israeli (0.01%); Italian (1990-2000, Acs, Prcs) (6.79%); Jamaican (0.06%); Japanese (1990-2000, Acs, Prcs) (0.36%); Jordanian (<0.01%); Kenyan (<0.01%); Korean (0.11%); Kurdish (<0.01%); Laotian (<0.01%); Latin (1990-2000, Acs, Prcs) (0.01%); Latin American (1990-2000, Acs, Prcs) (<0.01%); Latino/Latina (1990-2000, Acs, Prcs) (0.04%); Latvian (0.03%); Lebanese (0.12%); Liberian (<0.01%); Lithuanian (0.21%); Luxemburger (0.01%); Macedonian (0.01%); Malaysian (1990-2000, Acs, Prcs) (<0.01%); Maltese (0.01%); Mexican (1990-2000, Acs, Prcs) (3.23%); Mexican American (1.08%); Mexican American Indian (0.06%); Mexican State (1990-2000, Acs, Prcs) (0.05%); Mexicano/Mexicana (1990-2000, Acs, Prcs) (0.03%); Micronesian (1990-2000, Acs, Prcs) (<0.01%); Middle Eastern (0.01%); Mongolian (1990-2000, Acs, Prcs) (<0.01%); Moroccan (1990-2000, Acs, Prcs) (<0.01%); Native American (0.81%); Negro (1990-2000, Acs, Prcs) (0.03%); Nepali (<0.01%); New Zealander (<0.01%); Nicaraguan (0.02%); Nigerian (0.01%); North American (<0.01%); Northern European, Nec (0.12%); Norwegian (1.66%); Okinawan (<0.01%); Other Arab (<0.01%); Other Asian (<0.01%); Other Pacific (<0.01%); Other Subsaharan Africa (<0.01%); Other West Indian (<0.01%); Pacific Islander (1990-2000, Acs, Prcs) (0.01%); Pakistani (1990-2000, Acs, Prcs) (0.01%); Palestinian (0.01%); Panamanian (1990-2000, Acs, Prcs) (0.02%); Paraguayan (<0.01%); Pennsylvania German (1990-2000, Acs, Prcs) (0.12%); Peruvian (0.03%); Polish (3.30%); Polynesian (1990-2000, Acs, Prcs) (<0.01%); Portuguese (0.40%); Prussian (0.02%); Puerto Rican (0.88%); Punjabi (<0.01%); Rom (<0.01%); Romanian (1990-2000, Acs, Prcs) (0.08%); Russian (0.85%); Salvadoran (0.05%); Samoan (1990-2000, Acs, Prcs) (0.02%); Scandinavian, Nordic (0.23%); Scotch Irish (1.84%); Scottish (2.02%); Senegalese (<0.01%); Serbian (1990-2000, Acs, Prcs) (0.04%); Sicilian (0.07%); Sierra Leonean (<0.01%); Slav

(0.04%); Slavonian (<0.01%); Slovak (0.24%); Slovene (0.06%); Somalian (<0.01%); South African (<0.01%); South American (1990-2000, Acs, Prcs) (<0.01%); South American Indian (1990-2000, Acs, Prcs) (<0.01%); Spaniard (1990-2000, Acs, Prcs) (0.11%); Spanish (0.58%); Spanish American (0.03%); Sri Lankan (<0.01%); St Lucia Islander (<0.01%); St Vincent Islander (1990); Vincent-Grenadine Islander (2000 Census, 2005 Acs, 2005 Prcs) (<0.01%); Sudanese (<0.01%); Swedish (1.31%); Swiss (0.27%); Syrian (1990-2000, Acs, Prcs) (0.03%); Taiwanese (0.02%); Texas (0.02%); Thai (0.02%); Tongan (<0.01%); Trinidadian/Tobagonian (0.01%); Turkish (0.02%); Ukrainian (1990-2000, Acs, Prcs) (0.22%); Uruguayan (<0.01%); Venezuelan (<0.01%); Vietnamese (0.06%); Welsh (0.52%); West African (<0.01%); West Indian (1990-2000, Acs, Prcs) (0.03%); Western European, Nec (0.12%); White/Caucasian (1990-2000, Acs, Prcs) (4.19%); Yemeni (<0.01%); Yugoslavian (0.06%).

- **Modern National Homelands:** AFG (<0.01%); ALB (0.02%); ARG (0.02%); ARM (0.10%); AUS (0.02%); AUT (0.25%); BEL (0.15%); BGD (<0.01%); BGR (<0.01%); BIH (<0.01%); BLR (<0.01%); BLZ (<0.01%); BOL (<0.01%); BRA (0.02%); CAN (1.31%); CHE (0.35%); CHL (0.01%); CHN (0.40%); CMR (<0.01%); COL (0.08%); CPV (0.02%); CRI (0.02%); CUB (0.28%); CZE (0.77%); DEU (23.22%); DNK (0.54%); DOM (0.12%); DZA (<0.01%); ECU (0.05%); EGY (0.02%); ERI (<0.01%); ESP (0.94%); EST (<0.01%); ETH (<0.01%); FIN (0.30%); FJI (<0.01%); FRA (3.45%); GBR (17.23%); GEO (<0.01%); GHA (<0.01%); GRC (0.58%); GTM (0.04%); GUY (<0.01%); HND (0.02%); HRV (0.16%); HTI (0.06%); HUN (0.57%); IDN (<0.01%); IND (0.10%); IRL (14.64%); IRN (0.03%); IRQ (0.01%); ISL (0.02%); ISR (0.02%); ITA (8.71%); JAM (0.08%); JOR (<0.01%); JPN (0.46%); KEN (<0.01%); KHM (0.01%); KOR (0.14%); LAO (0.03%); LBN (0.15%); LBR (<0.01%); LKA (<0.01%); LTU (0.27%); LUX (0.02%); LVA (0.03%); MAR (<0.01%); MEX (5.67%); MKD (0.01%); MLT (0.02%); MMR (<0.01%); MNG (<0.01%); MYS (<0.01%); NGA (0.02%); NIC (0.02%); NLD (1.74%); NOR (2.11%); NPL (<0.01%); NZL (<0.01%); PAK (0.01%); PAN (0.03%); PER (0.03%); PHL (0.43%); POL (4.20%); PRI (1.12%); PRT (0.51%); PRY (<0.01%); PSE (0.01%); ROU (0.10%); RUS (1.08%); SDN (<0.01%); SEN (<0.01%); SLE (<0.01%); SLV (0.06%); SOM (<0.01%); SRB (0.12%); SVK (0.31%); SVN (0.08%); SWE (1.67%); SYR (0.04%); THA (0.03%); TTO (0.01%); TUR (0.02%); TWN (0.02%); UKR (0.28%); URY (<0.01%); USA (4.23%); VEN (0.01%); VNM (0.07%); YEM (<0.01%); ZAF (<0.01%).

B Robustness Checks and Sensitivity Analyses

B.1 Age Restriction

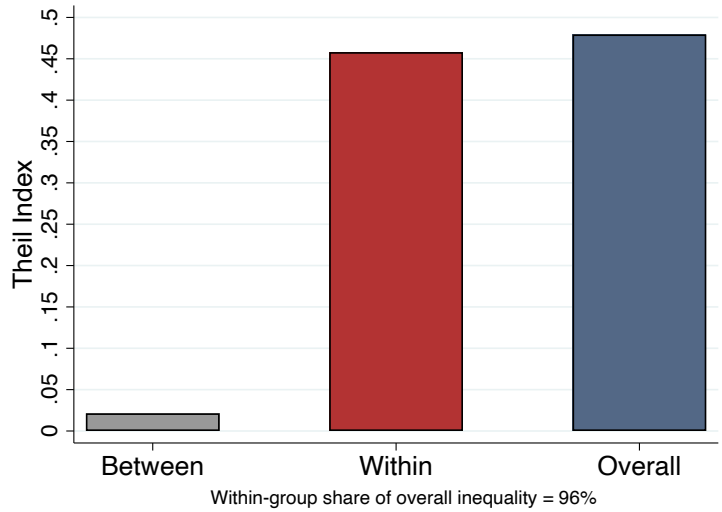


Figure B.1: Decomposition of US Income Inequality: Augmented Baseline Including Younger and Older Age Groups

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, using an expanded sample that includes those aged 16–24 and over 64.

B.2 Labor Force Participation

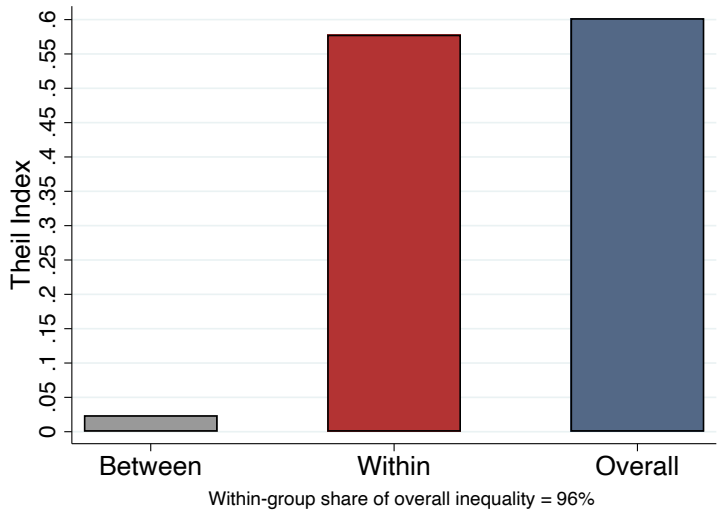
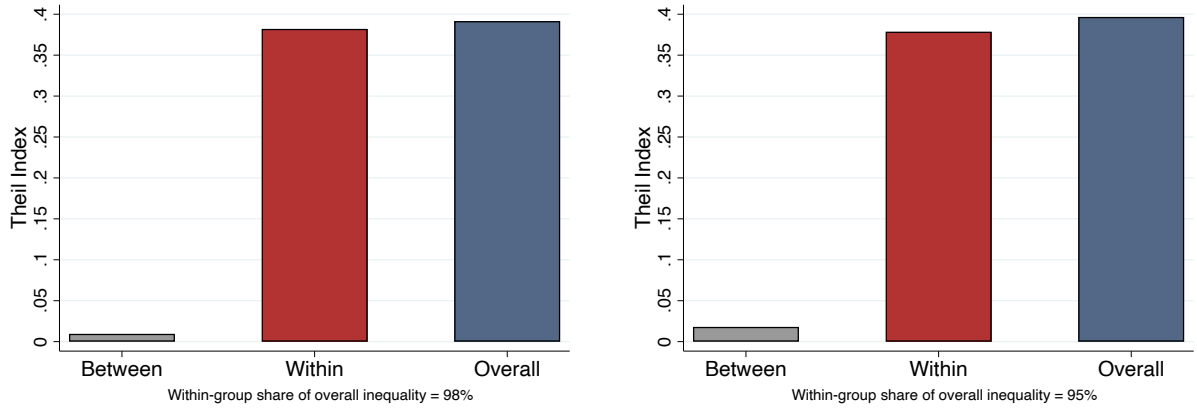


Figure B.2: Decomposition of US Income Inequality: Including Individuals Out of the Labor Force

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, using an augmented sample that includes individuals who are not part of the labor force.

B.3 Alternative Definitions of Ancestry



(a) Modern Nations (b) Detailed Ancestry

Figure B.3: Decomposition of US Income Inequality: Alternative Definitions of Ancestry

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry. In contrast to the baseline analysis, ancestry is defined in two alternative ways: (i) modern national homelands, and (ii) detailed ancestry classifications from IPUMS USA, which offer finer-grained distinctions of ancestral origin.

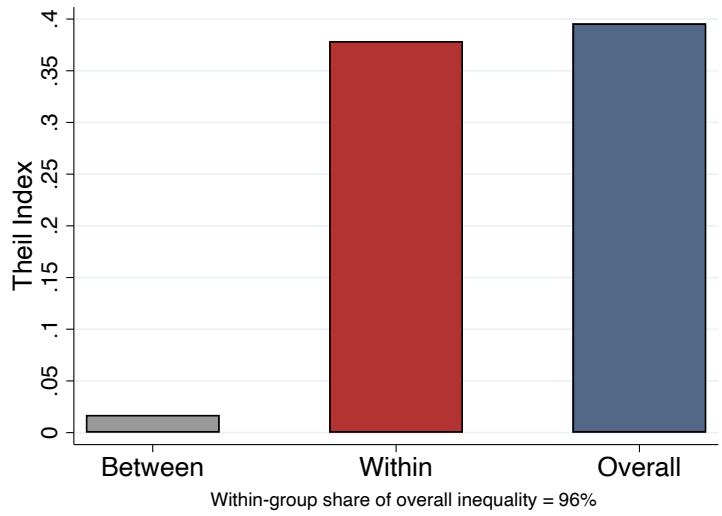


Figure B.4: Decomposition of US Income Inequality: Including Individuals who Report their Ancestry as "American" or "United States"

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, using an augmented sample which includes individuals who report their ancestry as "American" or "United States."

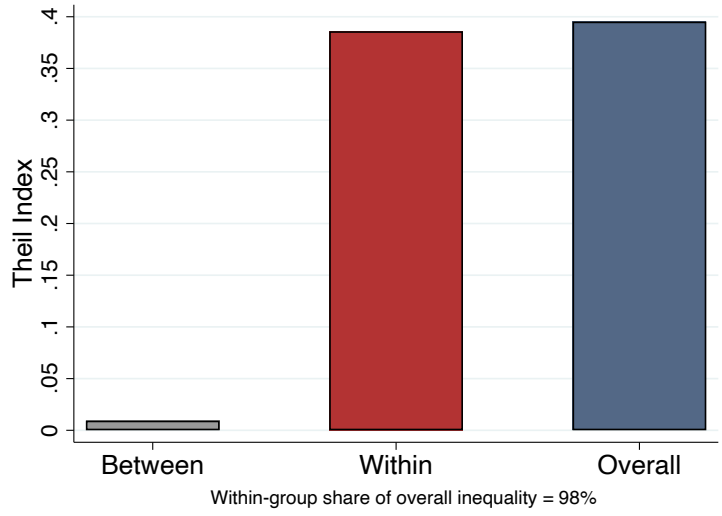
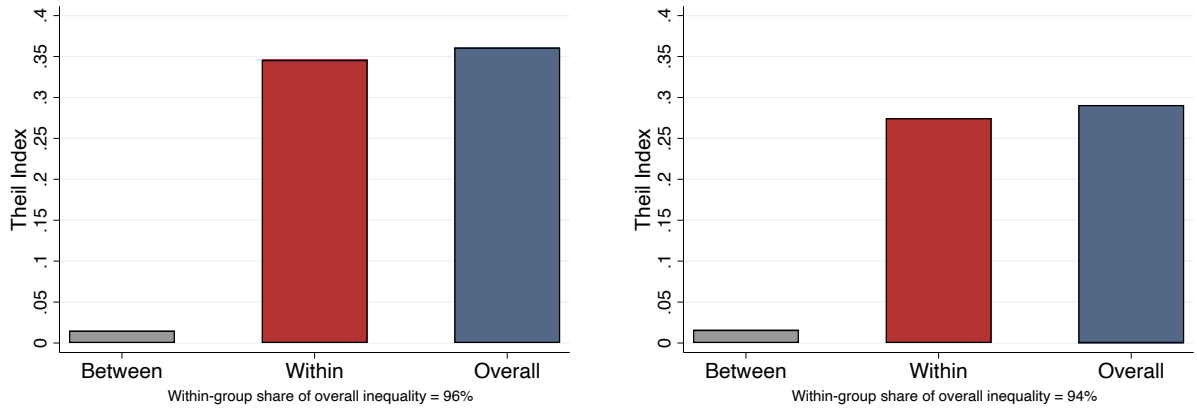


Figure B.5: Decomposition of US Income Inequality: Including Individuals with Unspecified or Residual Ancestry

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, where group membership is defined along six broad ethnic categories (Asian, Black, Hispanic, Native American, Pacific Islander, and White), using an augmented sample which includes individuals who do not report an ancestry, are classified under residual ancestry categories—namely (i) "mixture," (ii) "uncodable," or (iii) "other"—or who report their ancestry as "American" or "United States."

B.4 Employment Status

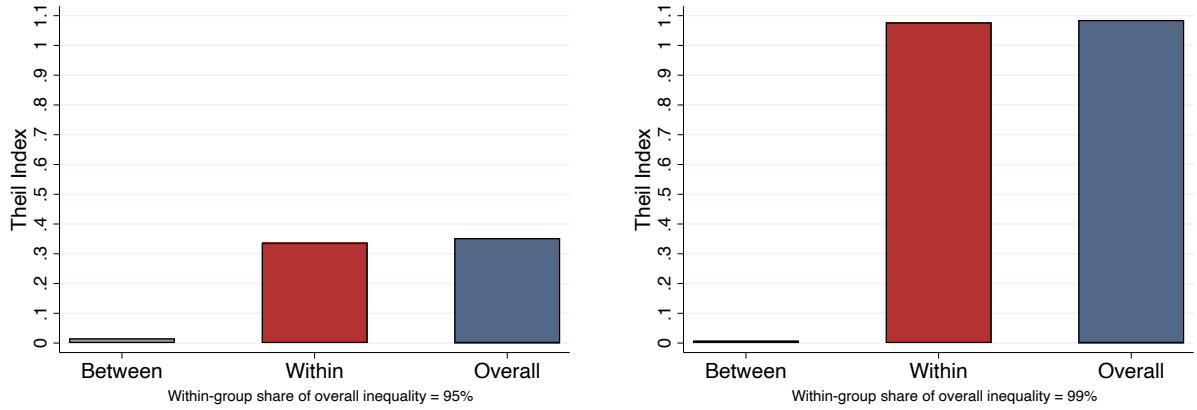


(a) Employed (b) Full-time, year round workers

Figure B.6: Decomposition of US Income Inequality: Employment Status

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, for two subsets of our baseline sample: (i) employed and (ii) full-time, year-round workers (i.e., those who usually work at least 35 hours per week and were employed for at least 50 weeks in the year).

B.5 Wage-Workers vs. Self-Employed



(a) Wage Worker (b) Self-employed

Figure B.7: Decomposition of US Income Inequality: Wage Worker vs. Self-Employed

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, for two subsets of our baseline sample: (i) wage-workers and (ii) the self-employed. It should be noted that, unlike the Gini Index, the Theil Index is not bounded above by 1.

B.6 Single Ancestry

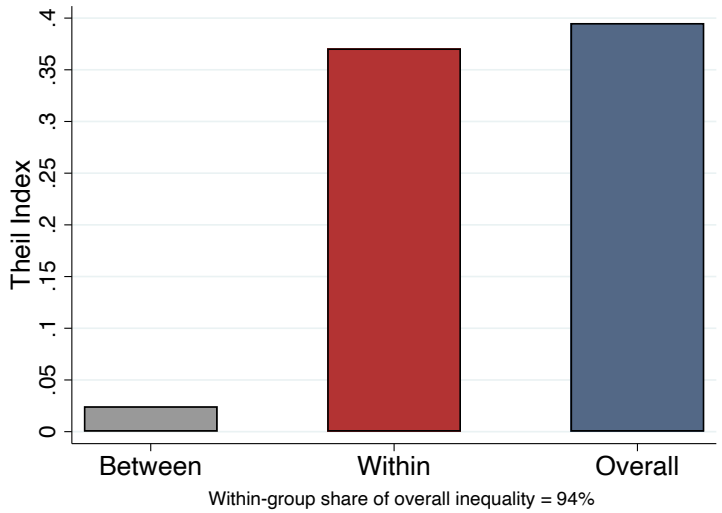


Figure B.8: Decomposition of US Income Inequality: Individuals from a Single Ancestry

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, for a subset of our baseline sample in which individuals reported a single ancestry.

B.7 Multiple Ancestries

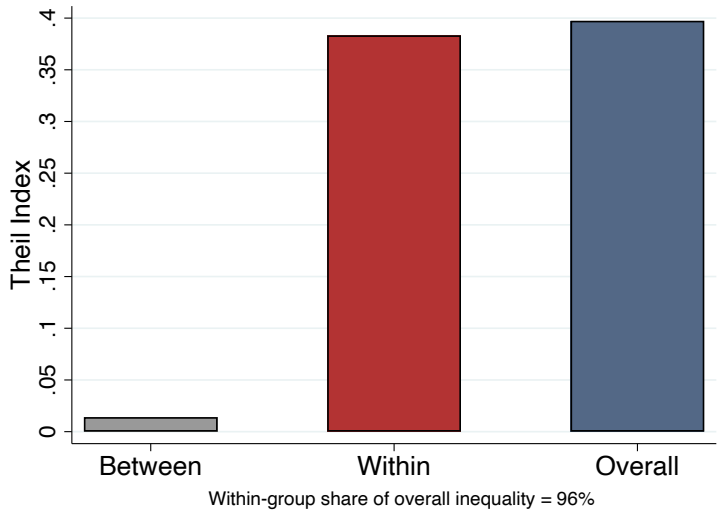


Figure B.9: Decomposition of US Income Inequality: Restricted Sample of Individuals who Report Multiple Ancestries

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, for a subset of our baseline sample in which we focus on individuals with multiple ancestries and define group membership based on their full ancestry bundle.

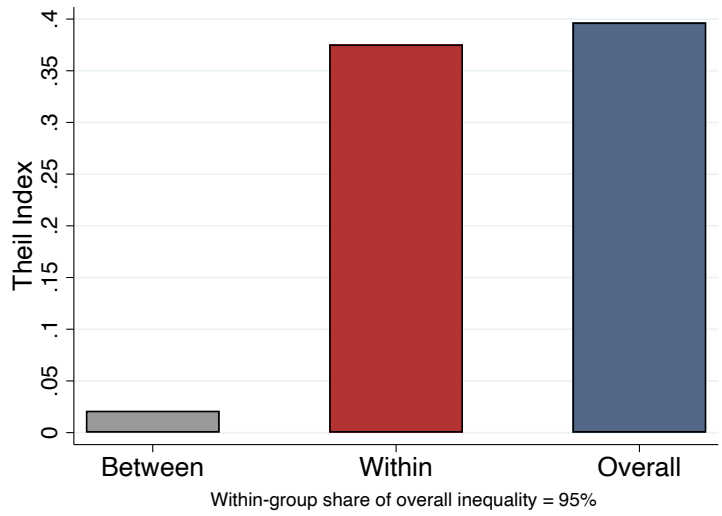
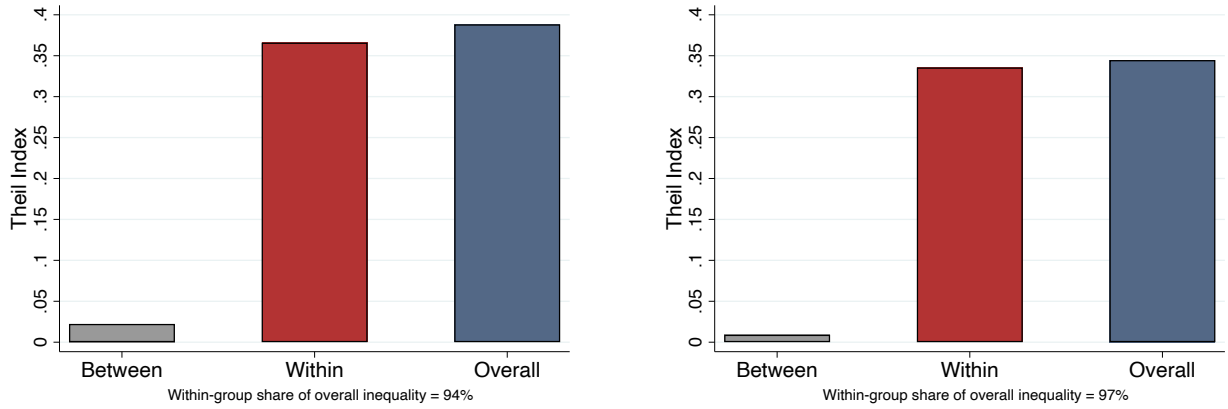


Figure B.10: Decomposition of US Income Inequality: Baseline Sample Distinguishing Between Single and Multiple Ancestries

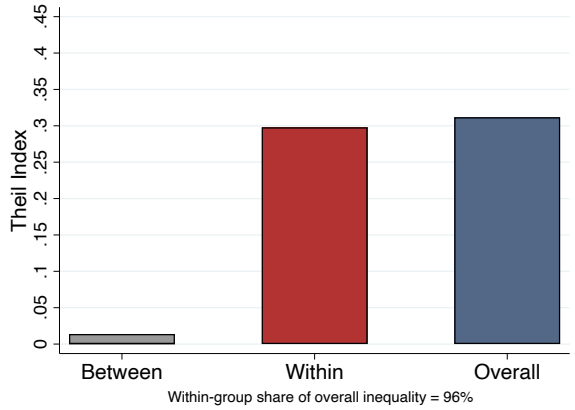
Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, where we retain the full baseline sample and redefine group membership using the ancestry bundle for all individuals, including those with a single reported ancestry.

B.8 Demographic Characteristics

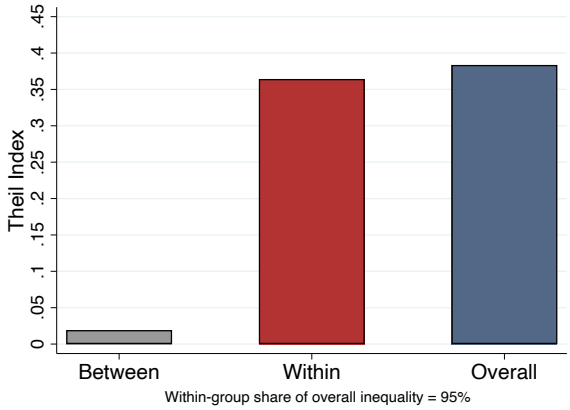


(a) Men

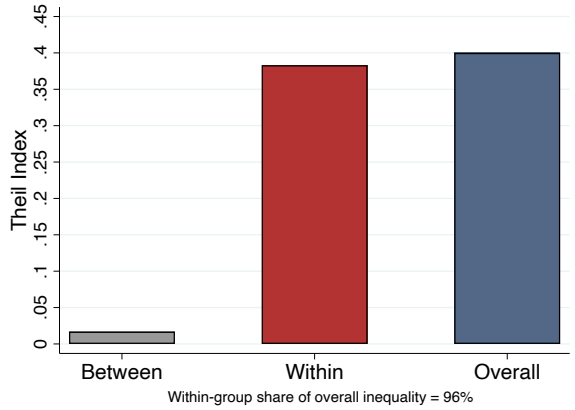
(b) Women



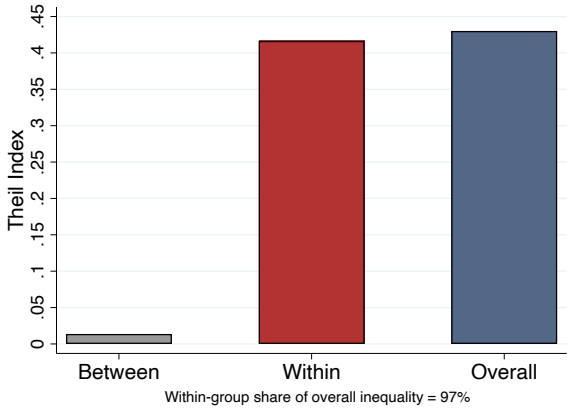
(c) 25-34 years old



(d) 35-44 years old



(e) 45-54 years old

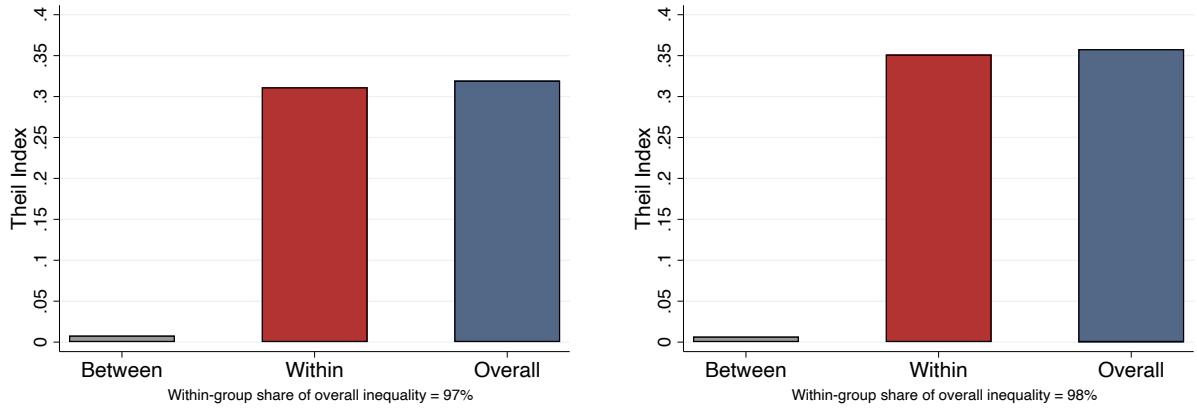


(f) 55-64 years old

Figure B.11: Decomposition of US Income Inequality across Demographic Groups

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, segmented into six sex-based and age-based subsets of our baseline sample.

B.9 Education Levels

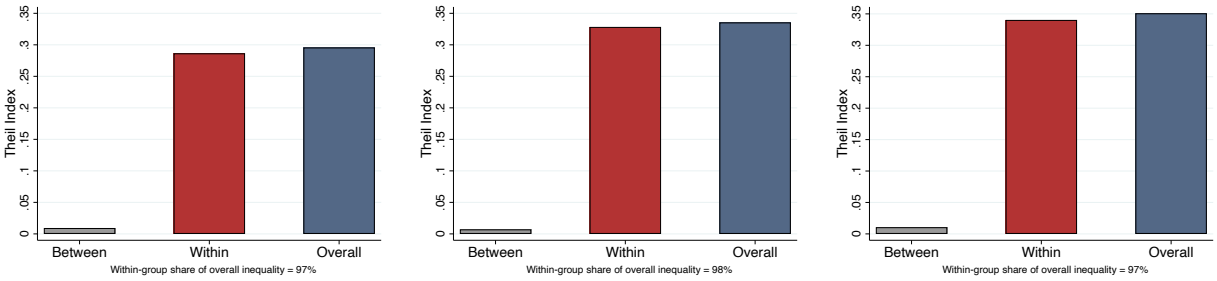


(a) Without a College Degree (b) With a College Degree

Figure B.12: Decomposition of US Income Inequality across Educational Attainment

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, segmented into two education-based subsets of our baseline sample.

B.10 Occupations



(a) Low skill (b) Mid skill (c) High skill

Figure B.13: Decomposition of US Income Inequality across Occupations

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, for three subsets of our baseline sample: (i) low-skill (i.e. agricultural and fishery workers, crafts and related trades workers, and elementary occupations), (ii) mid-skill (i.e., clerks, service workers and shop and market sales, and plant and machine operators and assemblers), and (iii) high-skill (i.e., legislators, senior officials and managers, professionals, and technicians and associate professionals).

B.11 States

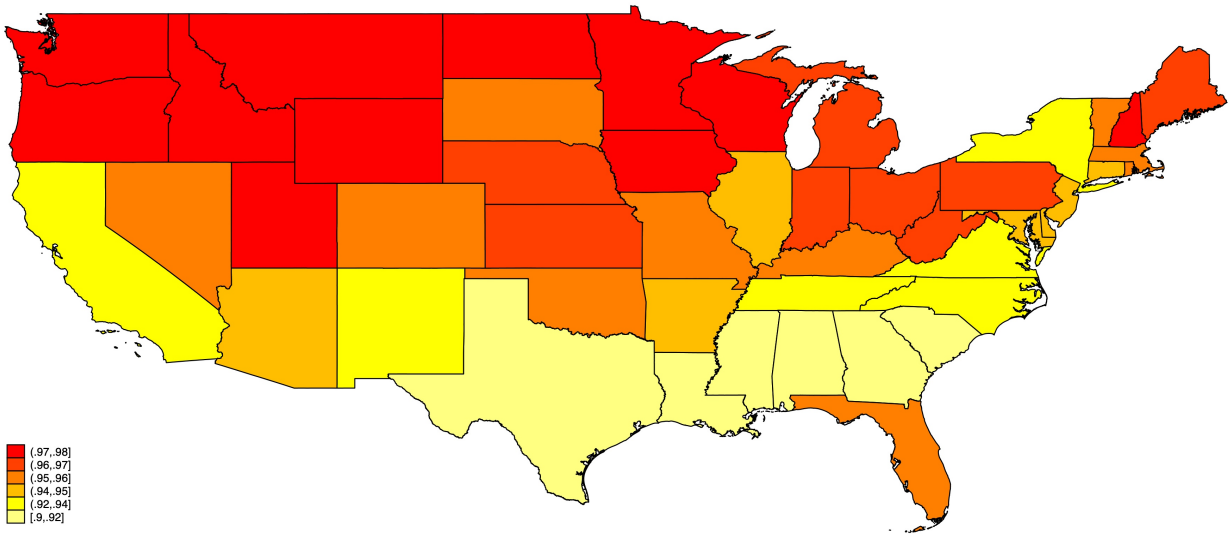
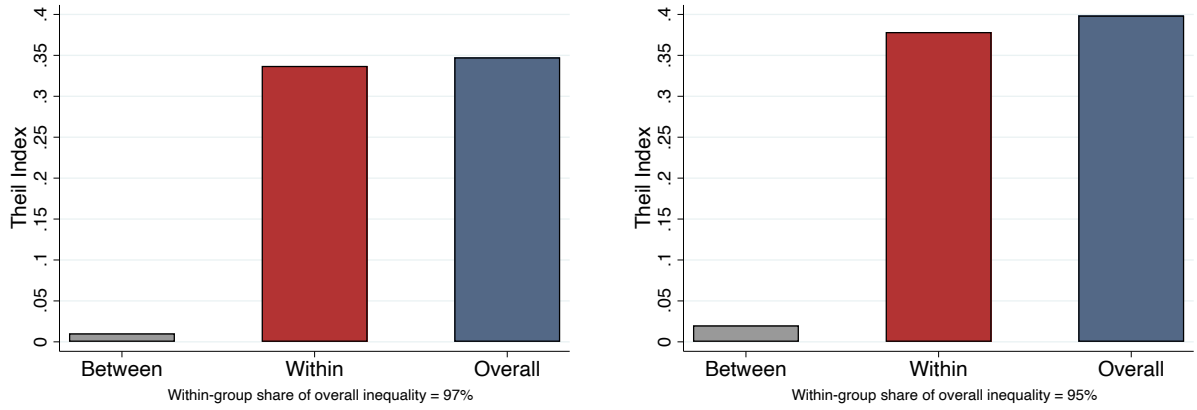


Figure B.14: Decomposition of US Income Inequality Across States

Notes: This figure illustrates the variation across states in the proportion of overall contemporary income inequality attributed to inequality within ethnic groups. Although the fraction for the District of Columbia is not visible, it is notably smaller, accounting for 81% of the total inequality.

B.12 Rural-Urban Divide



(a) Rural (b) Urban

Figure B.15: Decomposition of US Income Inequality: Rural-Urban Divide

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, segmented into a rural-based and an urban-based subsets of our baseline sample.

B.13 Negative Income

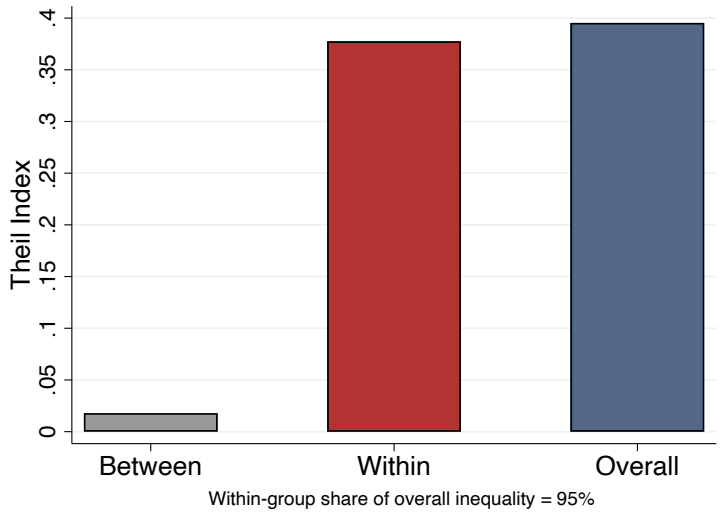


Figure B.16: Decomposition of US Income Inequality: Excluding Individuals with Negative Income

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, excluding individuals whose income is negative.

B.14 Topcoded Individuals

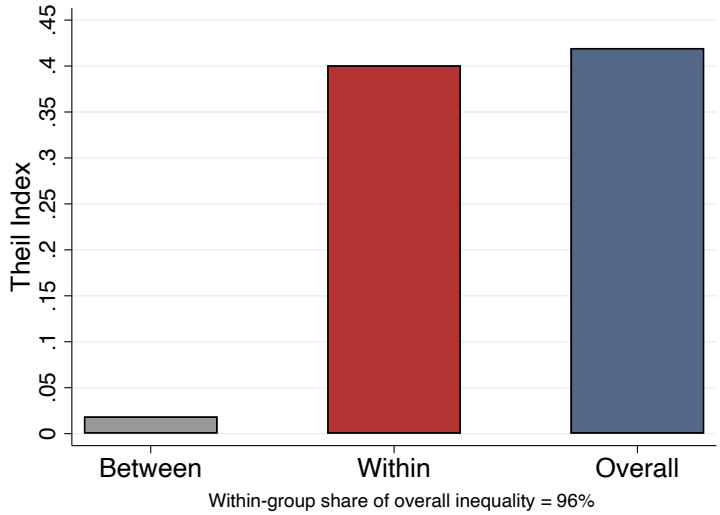


Figure B.17: Decomposition of US Income Inequality: Adjusting for Topcoded Incomes

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, applying a Pareto-imputation procedure to adjust for topcoded incomes.

B.15 Alternative Formulation of the Theil Index

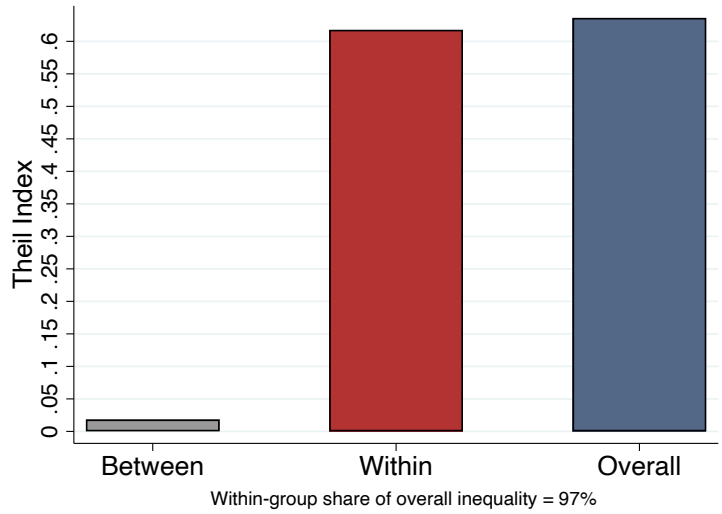


Figure B.18: Decomposition of US Income Inequality: Alternative Formulation of the Theil Index

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, using an alternative formulation of the Theil index (i.e., Theil's L).

B.16 ACS 2023 (1-year sample)

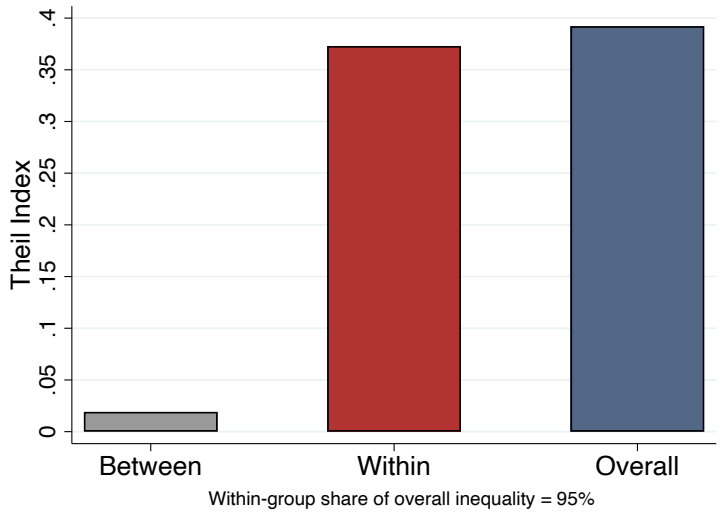
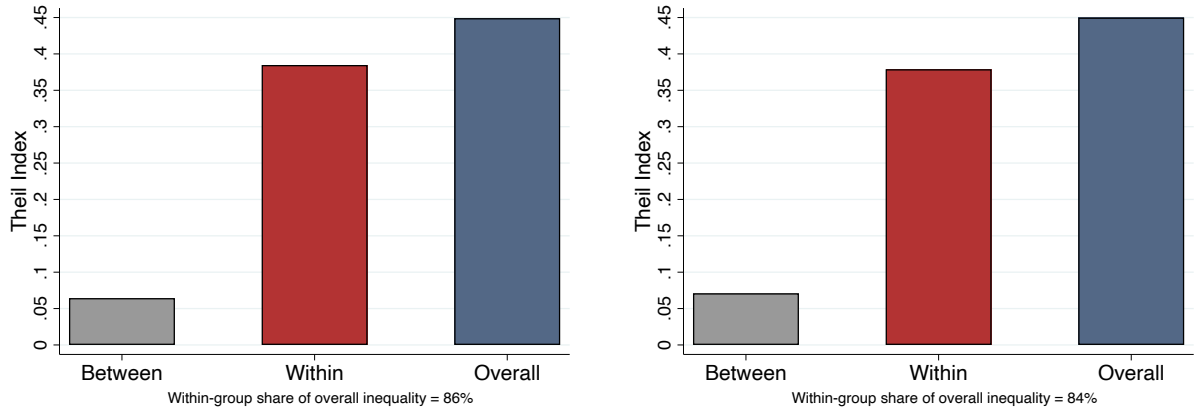


Figure B.19: Decomposition of US Income Inequality: ACS 2023 (1-year sample)

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, using the ACS 2023 (1-year sample).

B.17 First-Generation Migrants



(a) Birthplace (b) Ancestry

Figure B.20: Decomposition of US Income Inequality: First-Generation Migrants

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components, where group membership is defined in two ways: (i) 186 distinct ancestries, and (ii) 72 distinct birthplaces.

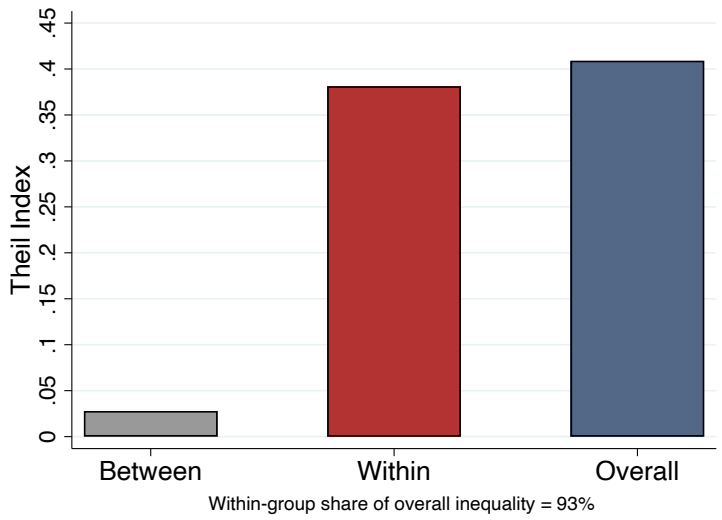


Figure B.21: Decomposition of US Income Inequality: Augmented Baseline Including First-Generation Migrants

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of individuals sharing a common ancestry, using an augmented sample that includes first-generation migrants.

B.18 Second-Generation Migrants

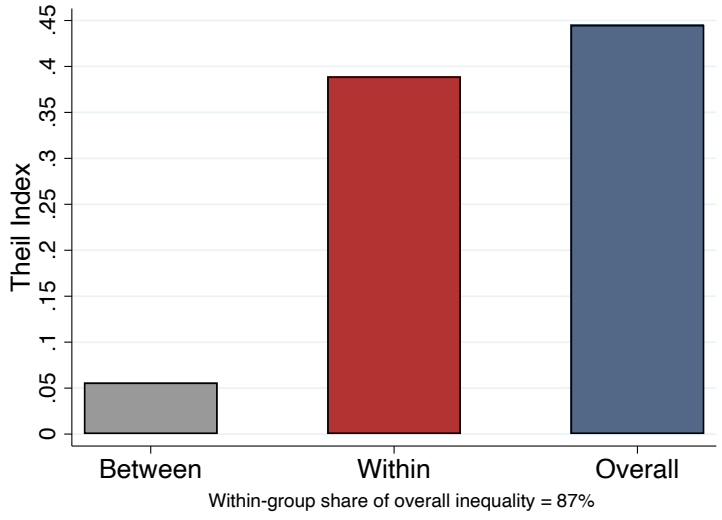


Figure B.22: Decomposition of US Income Inequality: Second-Generation Migrants

Notes: This figure presents the Theil decomposition of contemporary income inequality into within-group and between-group components among groups of second-generation migrants sharing a common maternal birthplace.