Comments on: "Developing Statistics on the Distribution of State Personal Income"

BEA Advisory Committee Meeting: May 12, 2023

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Income Inequality: Why we Care

- In developed countries, like the U.S., income inequality has historically been linked to greater levels of economic growth
- However, inequality, as measured by the Gini Coefficient, has been rising since the 1970s
 - Much of this driven by higher incomes at the highest levels of the income distribution
- This has raised concerns about whether the benefits of income inequality still hold





National Income Inequality ≠ Regional Income Inequality

- Income inequality is not homogeneous across regions
- Research has examined the link between inequality and growth at the state, county, and levels,
 - Finding that higher levels of inequality are associated with lower levels of various measures of regional growth





Current Sub-National Measures of Income Inequality

 Fail to include many sources of income that are part of BEA personal income statistics

 Ignoring these other sources of income could overstate or understate income inequality





Proposed BEA State-Level Inequality Statistics

 Include the same sources of income as in BEA state-level estimates of personal income

Provide better insight about the income distribution within a state





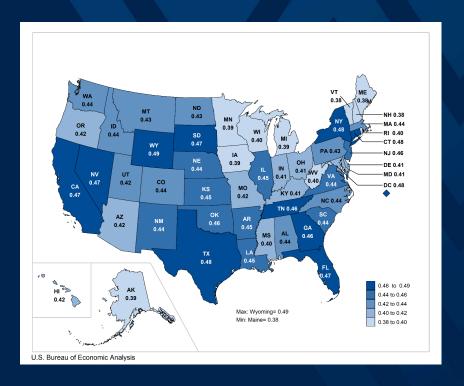
Possible Limitations of New Inequality Statistics

- They only look at inequality within a state
 - Not across states
- Thus, a state with a relatively low Gini Coefficient, or relatively equal income, could be a state with overall lower incomes compared to the rest of the nation
- Alternatively, a high Gini Coefficient (high inequality) could be associated with high diversity in the state in terms of cost of living, variation between urban and rural areas, etc.





Gini Coefficients: 2018







Suggestions for Additional Analysis

- Since there is evidence that rising inequality is due to rising incomes at the top
 - It would be useful to see estimates of the shares of the top 1% or 5% of the distribution (at least for states with a large enough sample size)
- As time series data are developed, this would provide insight into whether the shares of income for at the top of the distribution are rising
- Even for states with smaller sample sizes, perhaps you could combine more years of data or bound the estimates with three years of data in terms of accuracy





Thoughts on Outreach and Presentational Strategies

- The BEA working paper contains other results not shown here
- I think there is real value in looking at the comparison of mean versus median income
 - This shows income levels as well as the difference when income is skewed to the higher end of the income distribution (mean much greater than the median)
- I also think the table with the income levels by quintile as well as the one
 with income share by quintile are useful in illustrating the differences in
 how much income (and at what level) is in each quintile





Table 6. Quintile Thresholds Equivalized State Personal Income, 2018

| | Nominal dollars | | | | Real dollars | | | |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| State | 20th Percentile | 40th Percentile | 60th Percentile | 80th Percentile | 20th Percentile | 40th Percentile | 60th Percentile | 80th Percentile |
| Alabama | 29,593 | 42,136 | 55,923 | 85,338 | 33,640 | 47,899 | 63,572 | 97,010 |
| Alaska | 47,321 | 68,101 | 93,420 | 139,844 | 44,995 | 64,754 | 88,828 | 132,970 |
| Arizona | 32,264 | 45,285 | 62,975 | 95,494 | 33,045 | 46,380 | 64,498 | 97,804 |
| Arkansas | 31,011 | 42,155 | 55,671 | 83,080 | 35,096 | 47,708 | 63,005 | 94,025 |
| California | 40,797 | 59,625 | 86,801 | 138,972 | 36,836 | 53,835 | 78,372 | 125,477 |
| Colorado | 39,032 | 56,751 | 78,484 | 118,534 | 39,130 | 56,893 | 78,681 | 118,832 |
| Rhode Island | 38,331 | 53,680 | 72,927 | 109,874 | 37,841 | 52,993 | 71,994 | 108,468 |
| South Carolina | 31,454 | 43,802 | 59,042 | 88,393 | 33,902 | 47,211 | 63,637 | 95,272 |
| South Dakota | 35,442 | 49,411 | 68,521 | 101,520 | 38,837 | 54,144 | 75,083 | 111,242 |
| Tennessee | 33,134 | 45,377 | 61,143 | 91,166 | 36,694 | 50,252 | 67,711 | 100,959 |
| Texas | 34,948 | 50,015 | 71,048 | 110,614 | 35,532 | 50,851 | 72,235 | 112,462 |
| Utah | 36,229 | 49,854 | 69,116 | 99,463 | 37,673 | 51,841 | 71,871 | 103,427 |
| Vermont | 40,667 | 53,769 | 71,360 | 102,968 | 40,807 | 53,954 | 71,607 | 103,323 |
| Virginia | 37,474 | 54,218 | 79,376 | 126,302 | 36,681 | 53,071 | 77,697 | 123,629 |
| Washington | 40,656 | 59,066 | 84,968 | 126,045 | 38,140 | 55,410 | 79,709 | 118,244 |
| West Virginia | 31,774 | 42,663 | 56,043 | 81,214 | 35,541 | 47,721 | 62,688 | 90,843 |
| Wisconsin | 37,905 | 51,636 | 69,702 | 100,151 | 40,265 | 54,852 | 74,042 | 106,388 |
| Wyoming | 36,575 | 52,178 | 74,777 | 112,985 | 39,106 | 55,789 | 79,953 | 120,805 |





Thoughts on Outreach and Presentational Strategies

 The statistics may suggest different policy implications based on the full set of statistics

 Thus, I would not just focus on the Gini Coefficients





Thoughts on Next Steps

- Support the plan outlined to:
 - Move forward to release these estimate
 - Create a time series of the inequality measures

 Would also suggest consideration of the potential limitations or extensions mentioned in previous slides





Thoughts on Next Steps

 These statistics are an important next step in getting better sub-national economic data

 Release of a time series of these statistics will provide much needed insight about state-level variation in inequality



