

**Comments on:
“Developing Statistics on the
Distribution of State Personal
Income”**

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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 \neq 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

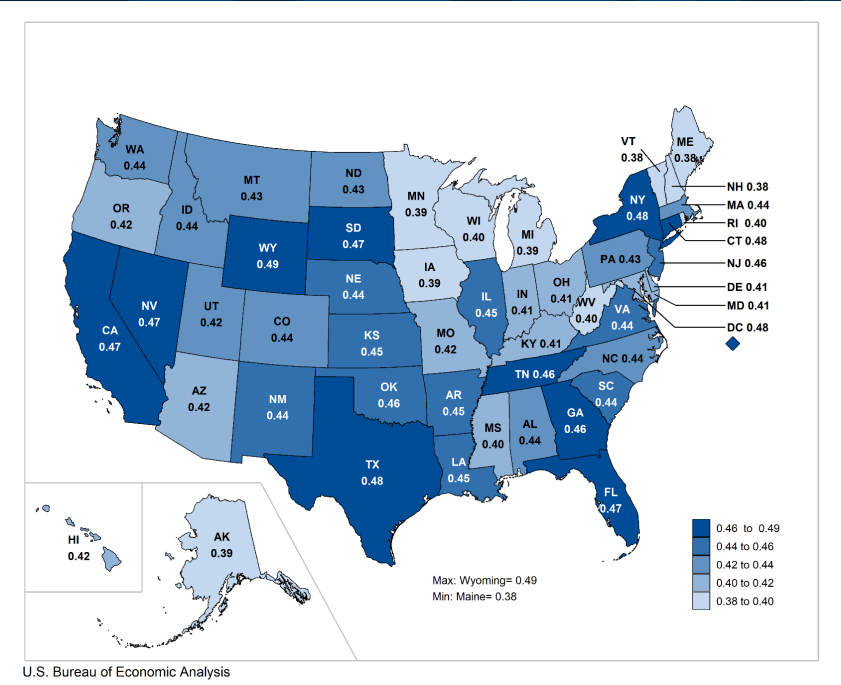
Proposed BEA State-Level Inequality Statistics

- 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

State	Nominal dollars				Real dollars			
	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