

Inequality Trends in Minnesota and the U.S.

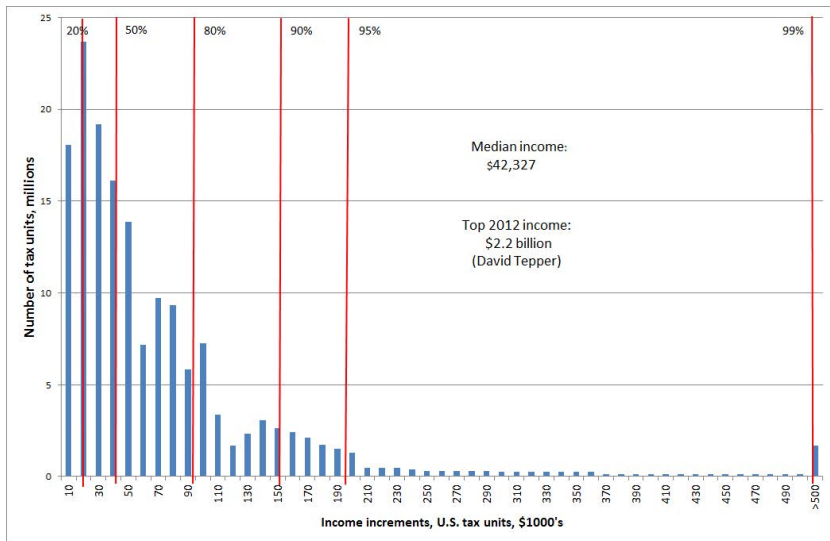
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December 18, 2013

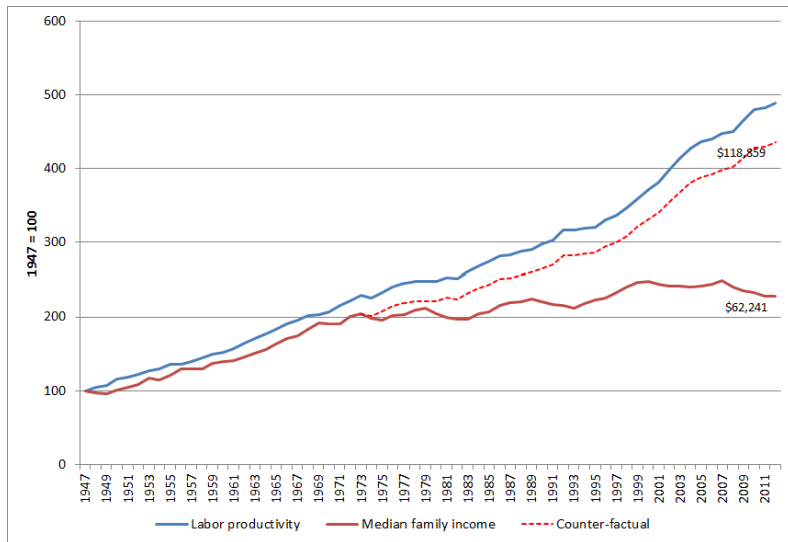
- 1 Introduction
- 2 Inequality and income in the U.S.
 - U.S. inequality is high and rising
- 3 Inequality and income in Minnesota
 - Minnesota inequality is also high and rising
- 4 Parts of Minnesota have very high inequality
 - Inequality is highest where incomes are lowest
- 5 Thoughts on causes and effects
 - It's not just about globalization and technology

U.S. income distribution, 2011



Source: Urban-Brookings Tax Policy Center Microsimulation Model

Productivity and median income growth, 1947–2012



Source: Census Bureau Table F-5; BLS Employment Cost Index

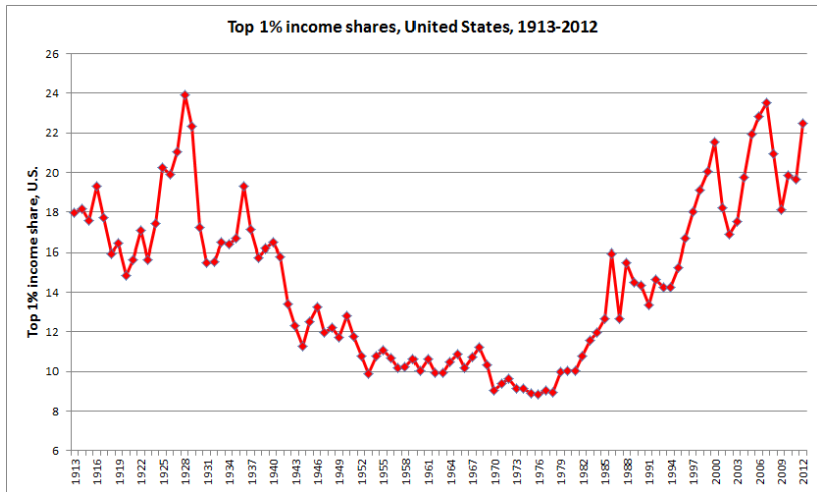


2. Inequality and Income in the U.S.

U.S. inequality is rising by all measures

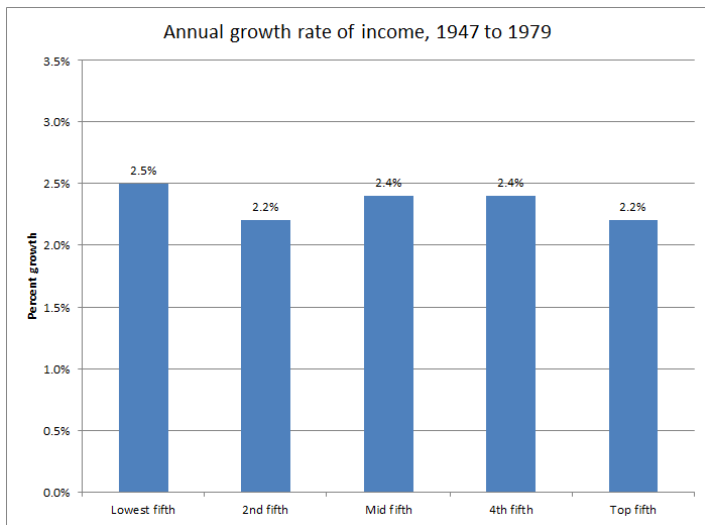
Especially the 1% income share

U.S. top 1% income shares, with capital gains



Source: World Top Incomes Database, topincomes.g-mond.parisschoolofeconomics.eu/

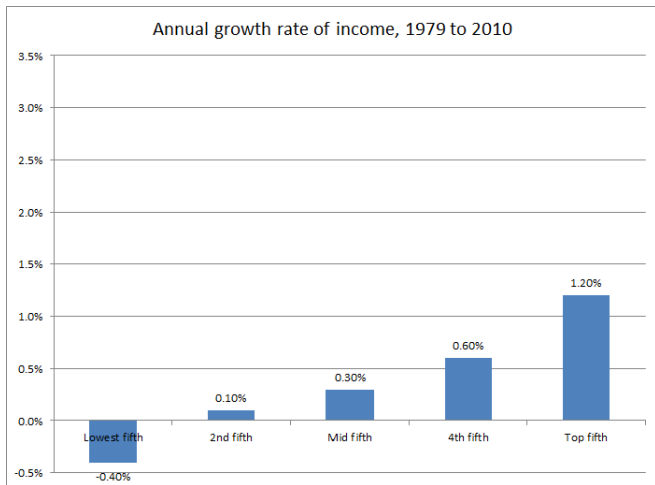
Income growth by quintile, 1947–1979



Source: Census Bureau, via Alan Krueger,

www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of-inequality/

Income growth by quintile, 1979–2010



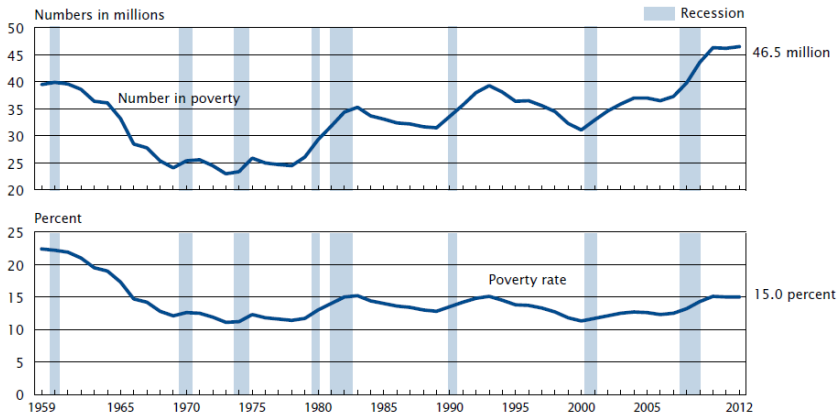
Source: Census Bureau, via Alan Krueger

www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of-inequality/



Poverty line, family of four: \$23,364

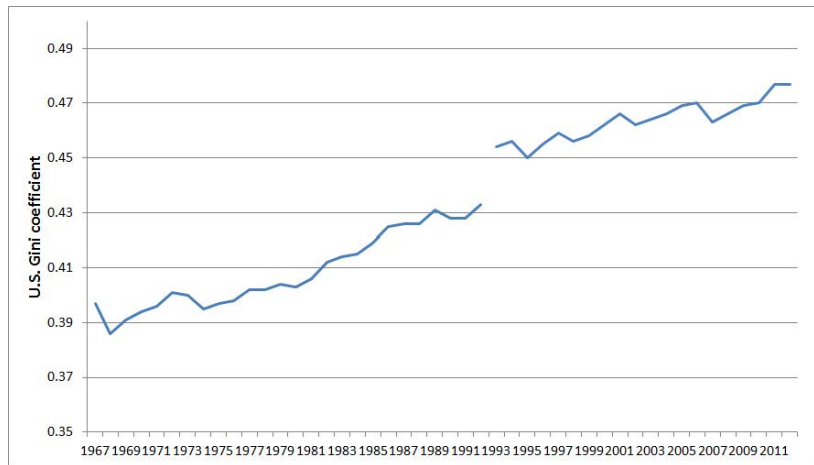
Figure 4.
Number in Poverty and Poverty Rate: 1959 to 2012



Note: The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A.

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2013 Annual Social and Economic Supplements.

U.S. Gini coefficient, 1979–2010

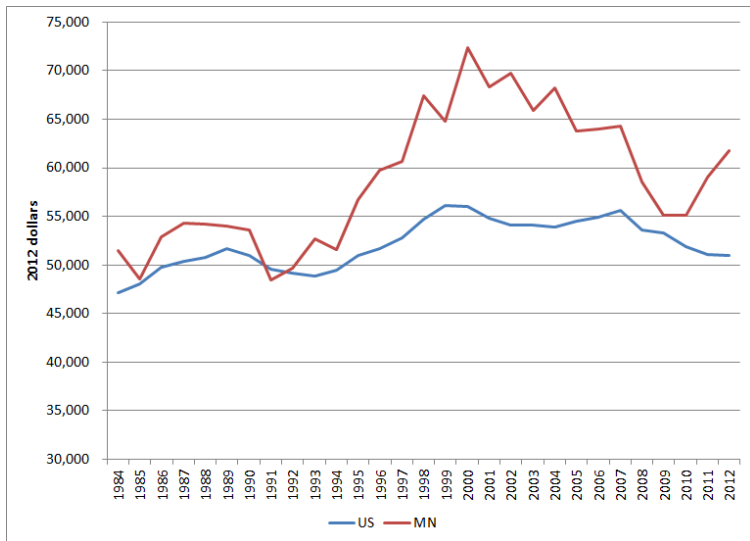


Source: U.S. Census Bureau

3. Inequality and Income in Minnesota

Inequality is lower in Minnesota, but catching up

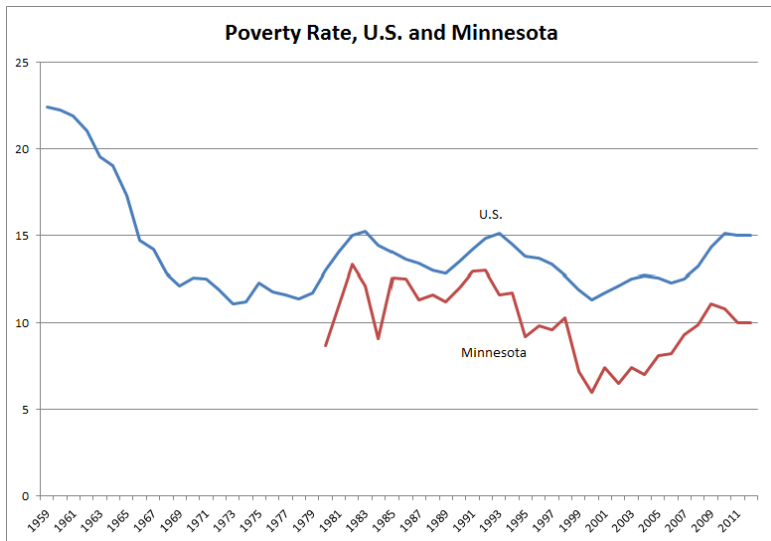
Median income, U.S. and Minnesota



Source: U.S. Census Bureau



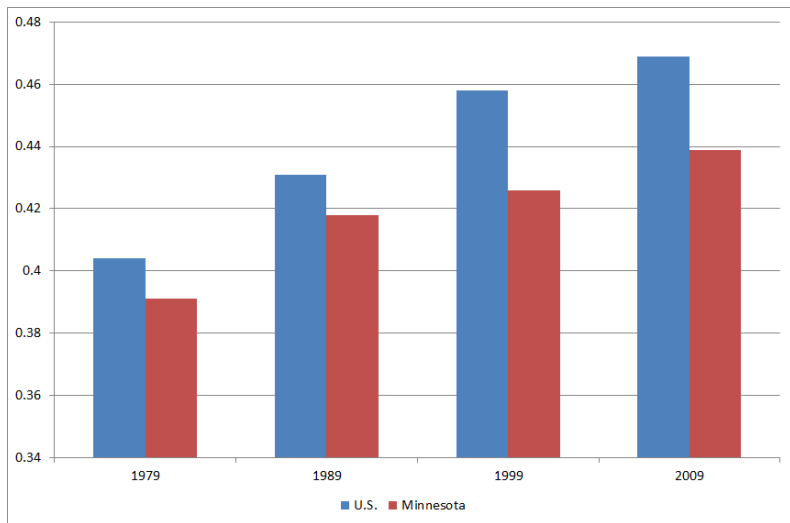
Poverty rate, U.S. and Minnesota



Source: U.S. Census Bureau, Current Population Reports



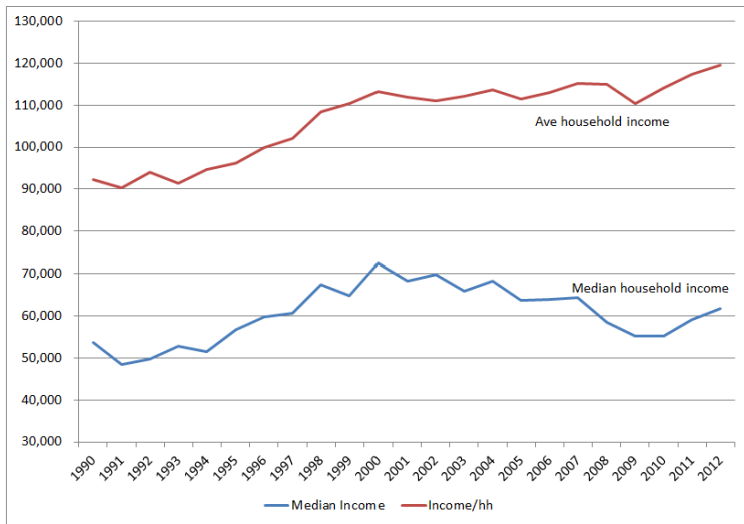
Gini coefficient, U.S. and Minnesota



Source: U.S. Census Bureau



Minnesota household income, mean and median



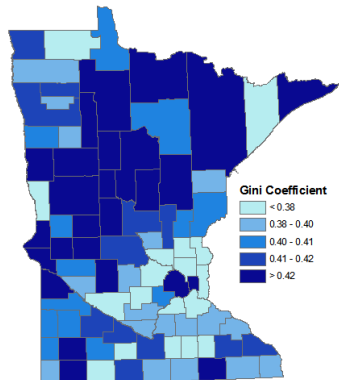
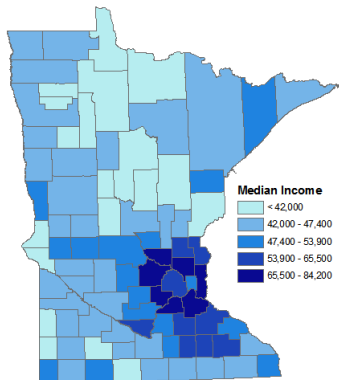
Source: U.S. Census Bureau, Bureau of Economic Analysis



4. We Have Places Where Inequality is High

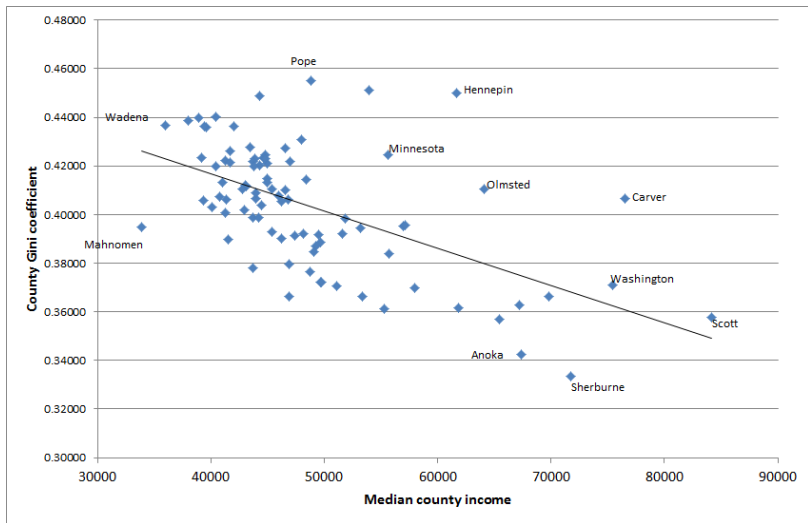
Inequality is highest where income is lowest

Inequality high where income is low: MN counties



Source: Census Bureau

Gini vs. median income: MN counties



Source: Census Bureau

Income and poverty, select MN counties

| County | Median income | | Poverty rate (%) | |
|-------------|---------------|------|------------------|------|
| | 2012 | Rank | 2012 | Rank |
| Scott | \$86,324 | 1 | 5.3% | 86 |
| Washington | \$80,647 | 3 | 5.5% | 85 |
| Olmsted | \$64,385 | 10 | 9.8% | 64 |
| Hennepin | \$62,500 | 11 | 13.1% | 22 |
| Ramsey | \$53,707 | 22 | 16.9% | 5 |
| Koochiching | \$43,762 | 78 | 12.9% | 25 |
| Beltrami | \$42,655 | 82 | 21.2% | 2 |
| Wadena | \$37,577 | 87 | 16.9% | 4 |

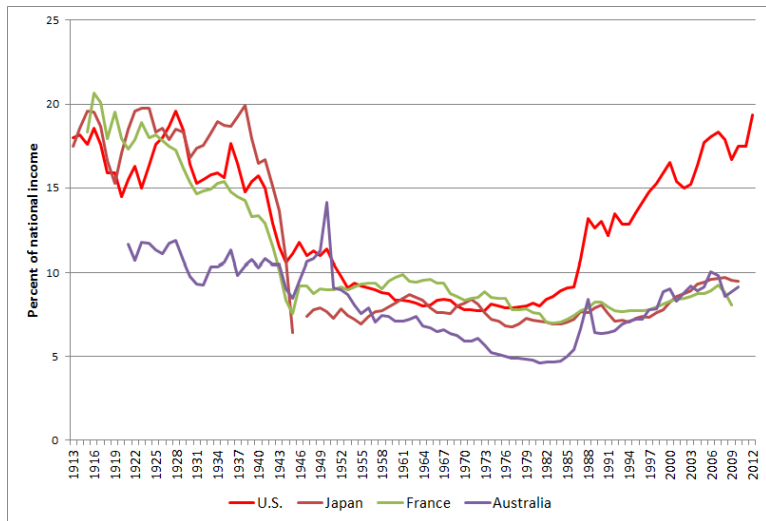
5. Thoughts on Causes and Effects

It's more than globalization and technology

Why has inequality risen?

- The two standard explanations are:
 - Globalization
 - Technology and skills
- But these factors are at work everywhere
- So why has inequality risen so much more in the U.S.?

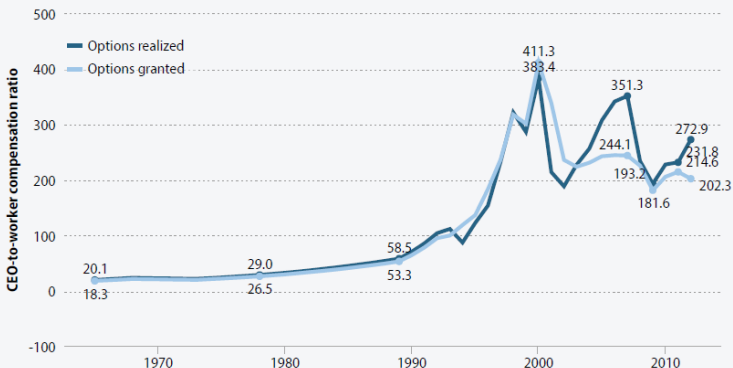
Top income shares, U.S. and others



Source: World Top Incomes Database, topincomes.g-mond.parisschoolofeconomics.eu/

CEOs gain on other workers

CEO-to-worker compensation ratio, with options granted and options realized, 1965–2012

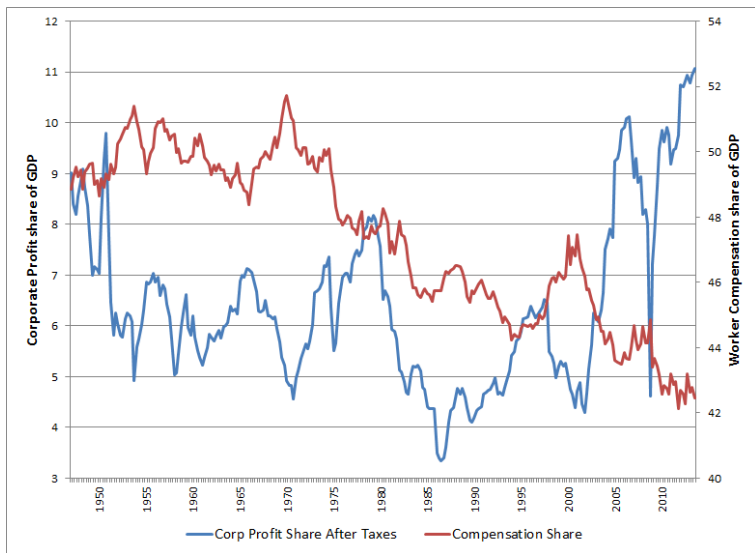


Note: This figure uses the "Options granted" compensation data series which includes salary, bonuses, restricted stock grants, options granted, and long-term incentive payouts for CEOs at the top 350 firms ranked by sales. This figure also uses the "Options realized" compensation data series which includes salary, bonuses, restricted stock grants, options exercised, and long-term incentive payouts for CEOs at the top 350 firms ranked by sales.

Source: Economic Policy Institute, 2013



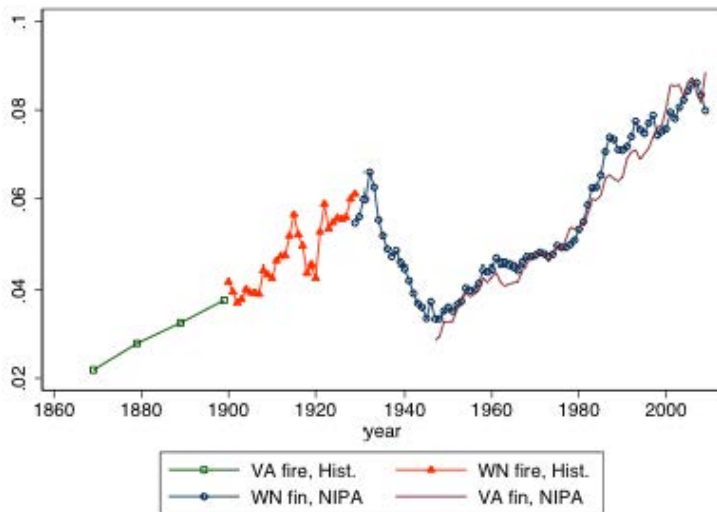
Corporate profits up, wage share down



Source: Federal Reserve of St. Louis, 2013

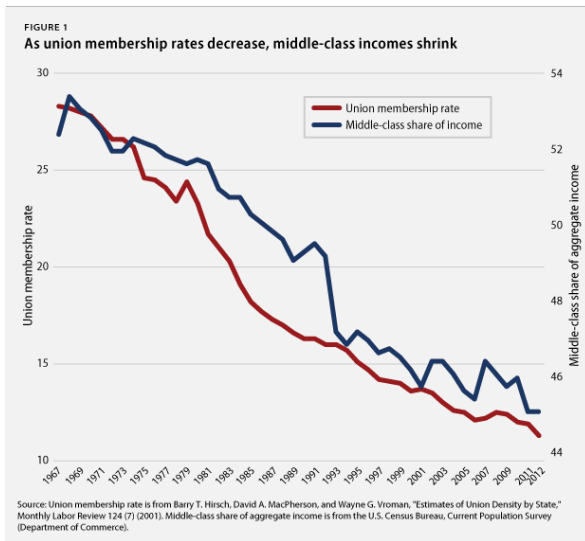


Growth in finance as a share of GDP



Source: Philippon 2012

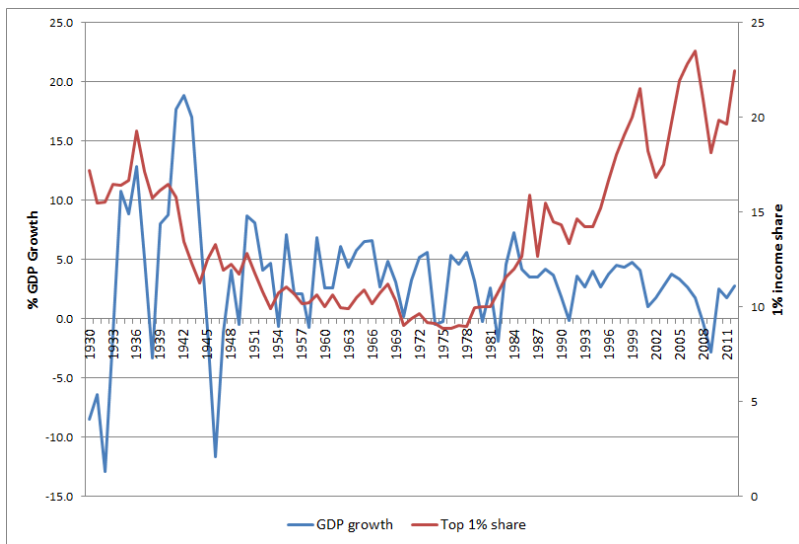
Union membership and middle-income share



Source: Madland and Miller, CAP, 2013



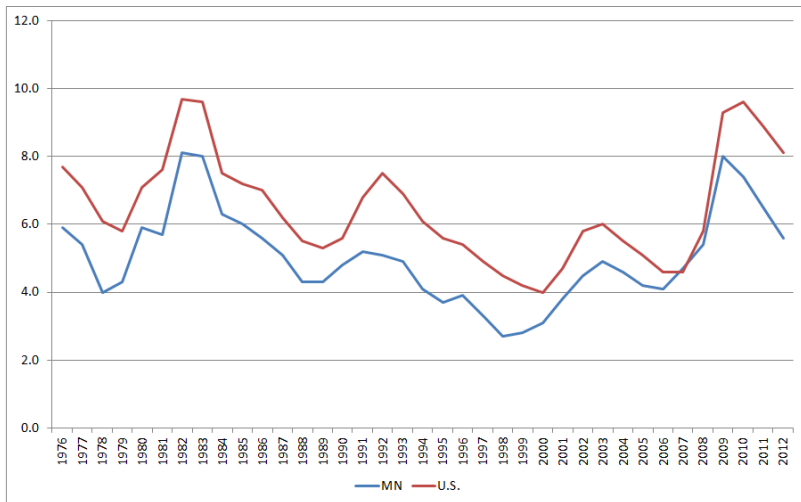
GDP growth and top 1% share



Source: World Top Incomes Database; Bureau of Economic Analysis



U.S. and Minnesota unemployment rates



Source: Bureau of Labor Statistics



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