

# Inequality Trends in Minnesota and the U.S.

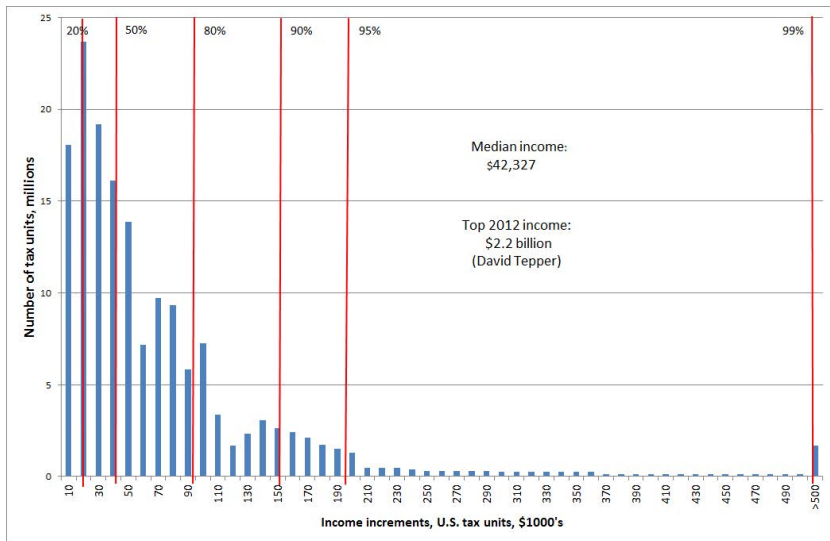
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University of Minnesota

December 18, 2013

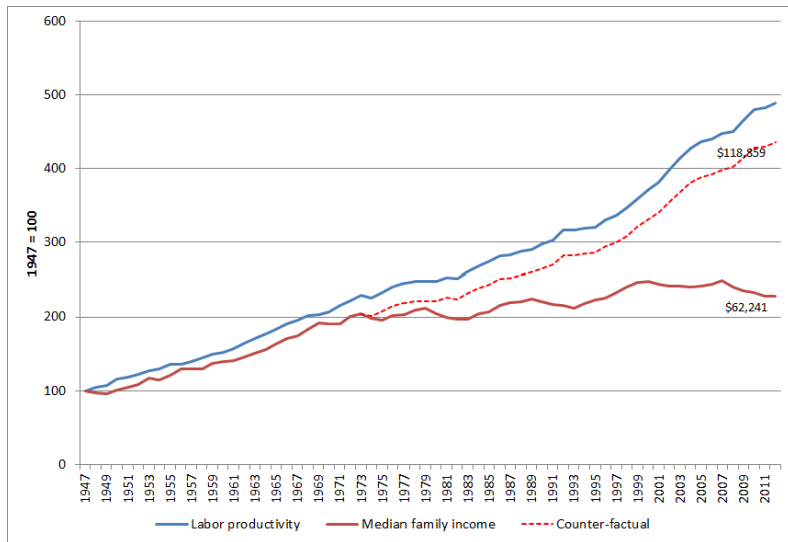
- 1 Introduction
- 2 Inequality and income in the U.S.
  - U.S. inequality is high and rising
- 3 Inequality and income in Minnesota
  - Minnesota inequality is also high and rising
- 4 Parts of Minnesota have very high inequality
  - Inequality is highest where incomes are lowest
- 5 Thoughts on causes 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

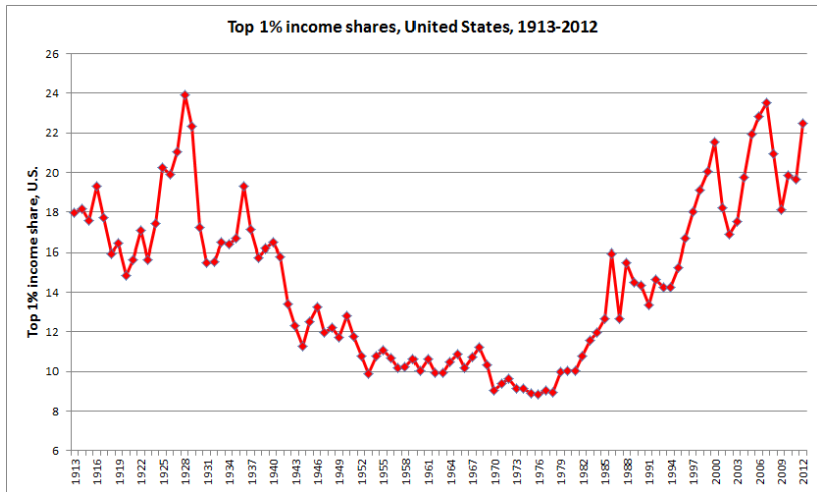


## 2. Inequality and Income in the U.S.

U.S. inequality is rising by all measures

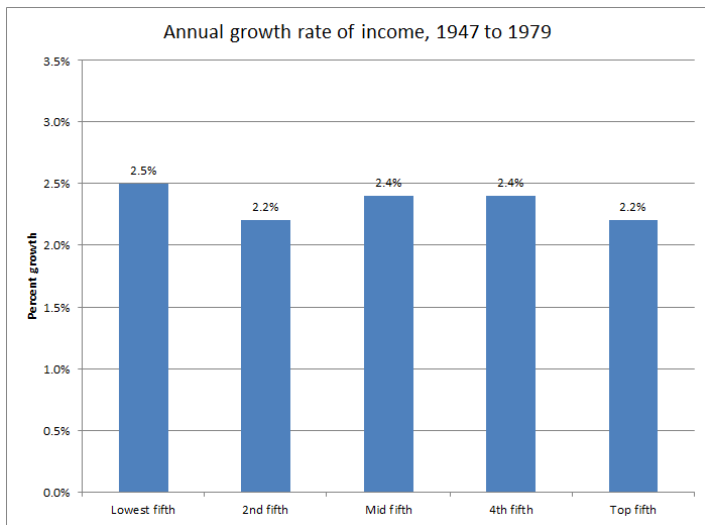
Especially the 1% income share

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



Source: World Top Incomes Database, [topincomes.g-mond.parisschoolofeconomics.eu/](http://topincomes.g-mond.parisschoolofeconomics.eu/)

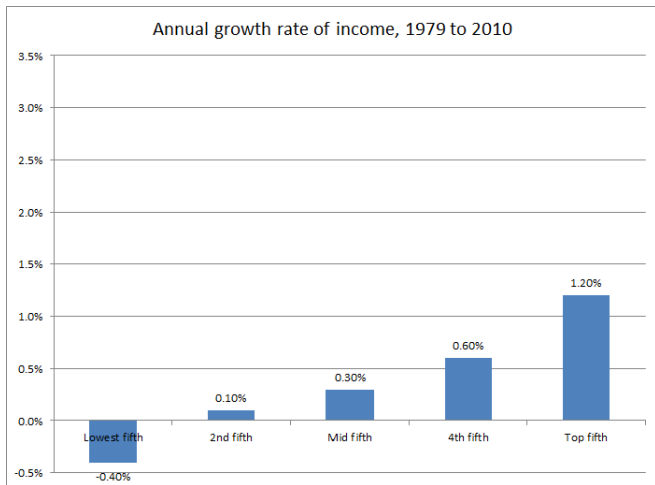
# Income growth by quintile, 1947–1979



Source: Census Bureau, via Alan Krueger,

[www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of-inequality/](http://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

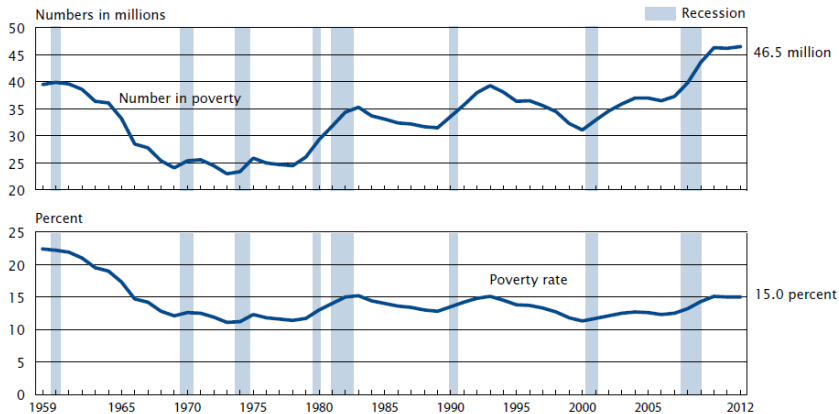
[www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of-inequality/](http://www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of-inequality/)





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

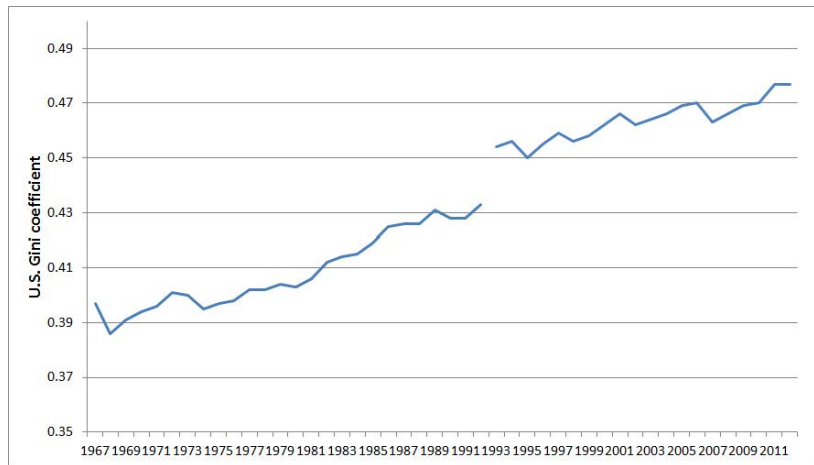
Figure 4.  
**Number in Poverty and Poverty Rate: 1959 to 2012**



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

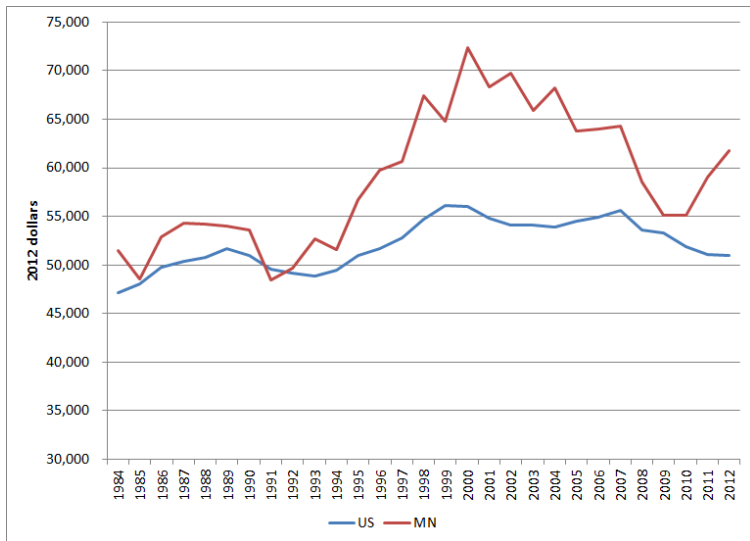


Source: U.S. Census Bureau

### 3. Inequality and Income in Minnesota

Inequality is lower in Minnesota, but catching up

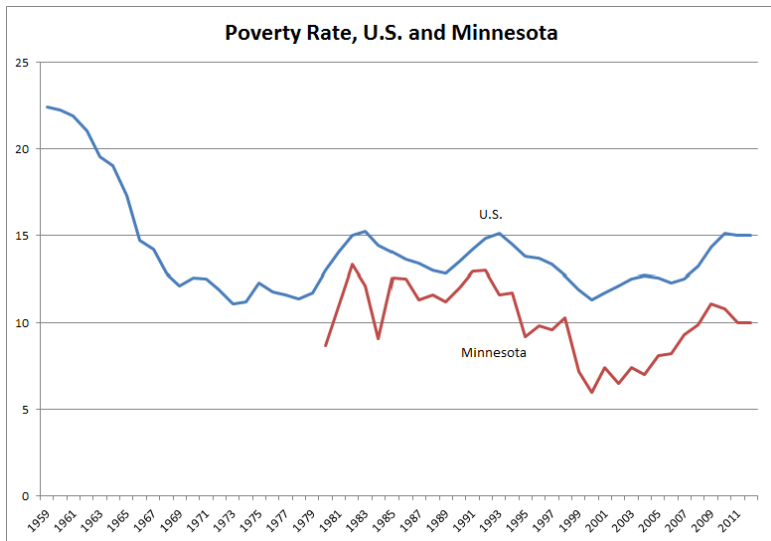
# Median income, U.S. and Minnesota



Source: U.S. Census Bureau



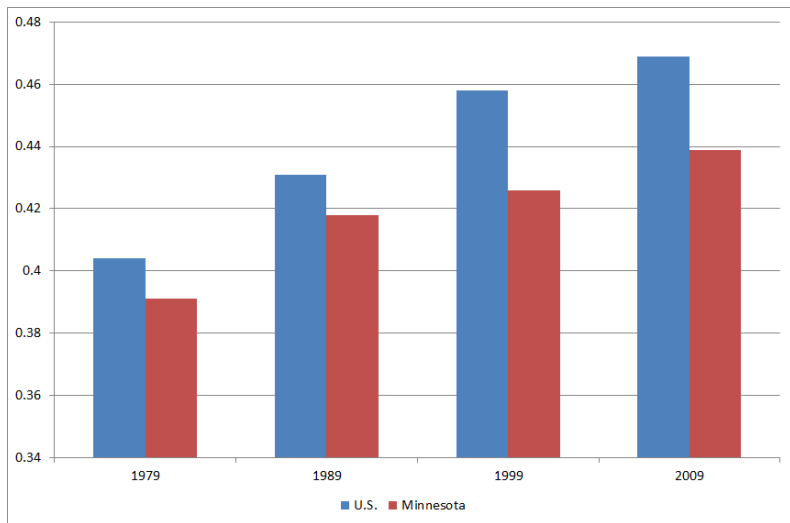
# Poverty rate, U.S. and Minnesota



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



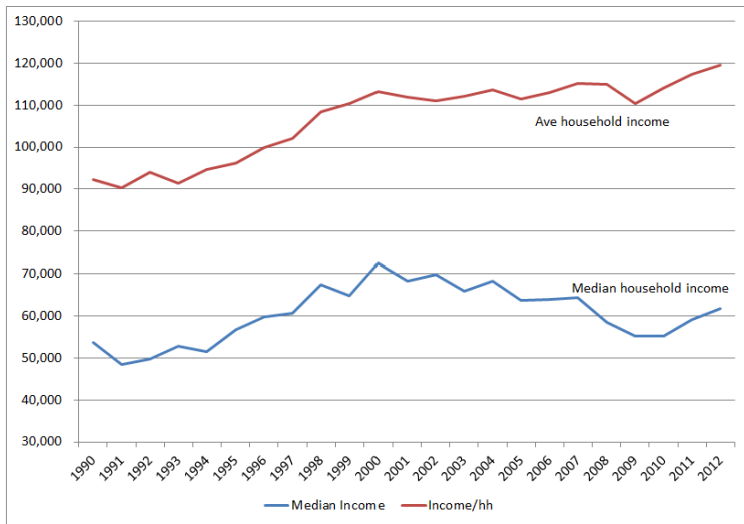
# Gini coefficient, U.S. and Minnesota



Source: U.S. Census Bureau



# Minnesota household income, mean and median



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

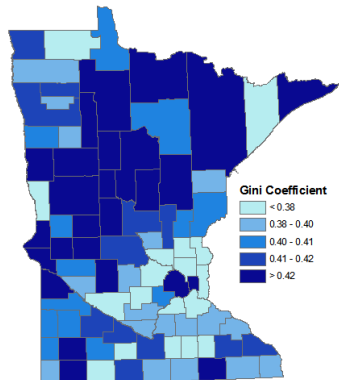
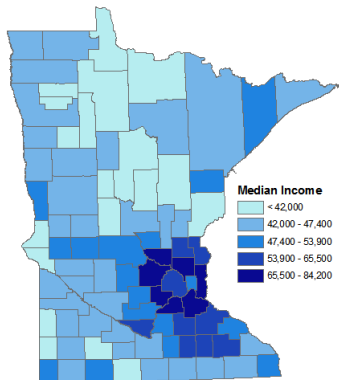


## 4. We Have Places Where Inequality is High

Inequality is highest where income is lowest

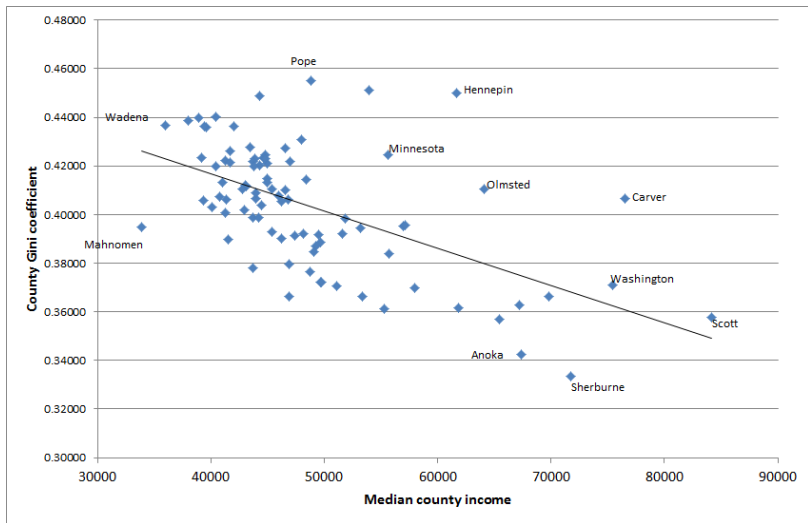


# Inequality high where income is low: MN counties



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

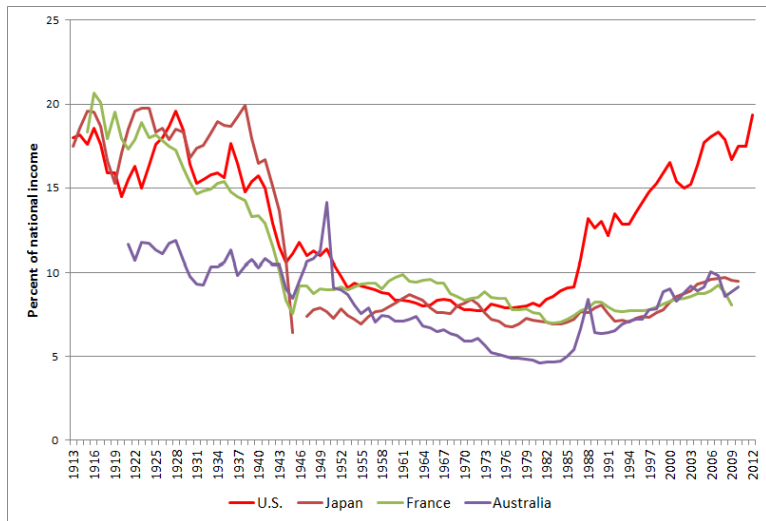
## 5. Thoughts on Causes and Effects

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.?

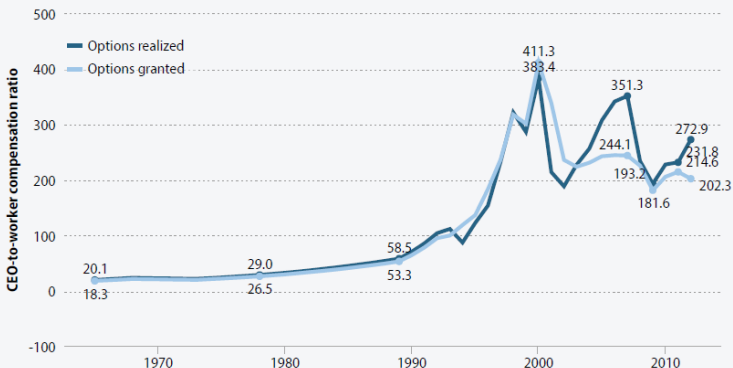
# Top income shares, U.S. and others



Source: World Top Incomes Database, [topincomes.g-mond.parisschoolofeconomics.eu/](http://topincomes.g-mond.parisschoolofeconomics.eu/)

# CEOs gain on other workers

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

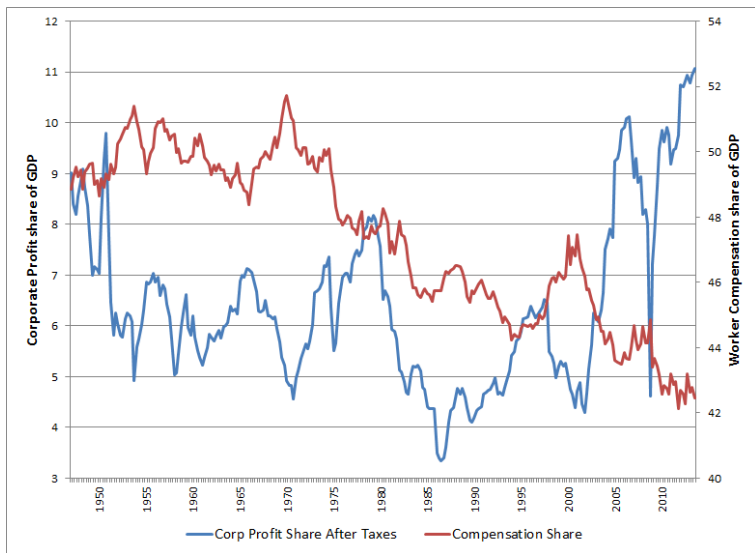


Note: This figure uses the "Options granted" compensation data series which includes salary, bonuses, restricted stock grants, options granted, and long-term incentive payouts for CEOs at the top 350 firms ranked by sales. This figure also uses the "Options realized" compensation data series which includes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

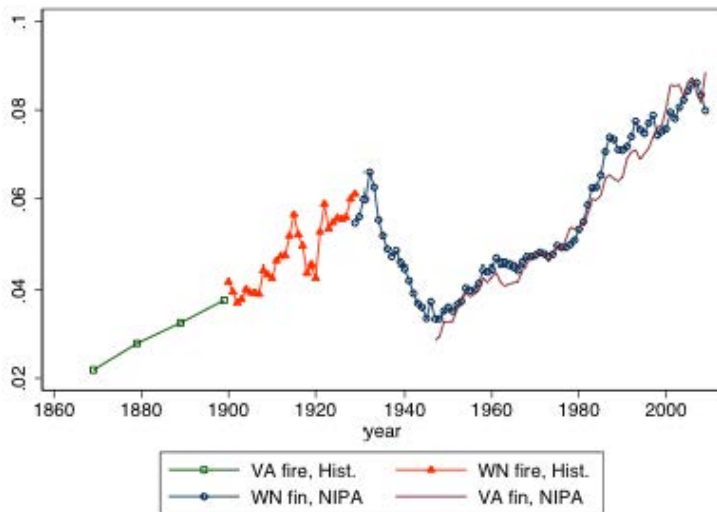


Source: Federal Reserve of St. Louis, 2013



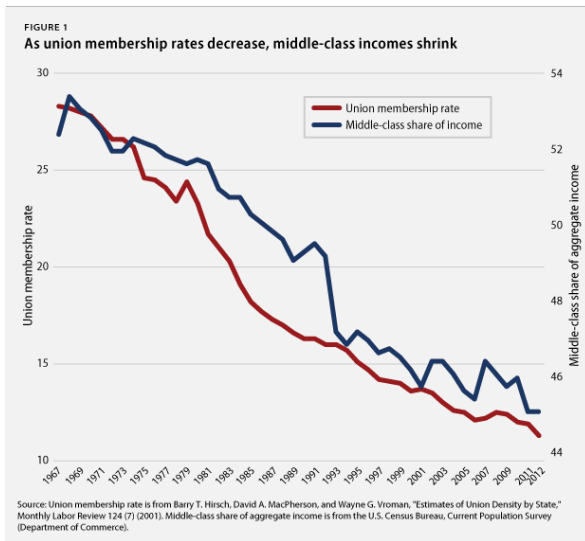


# Growth in finance as a share of GDP



Source: Philippon 2012

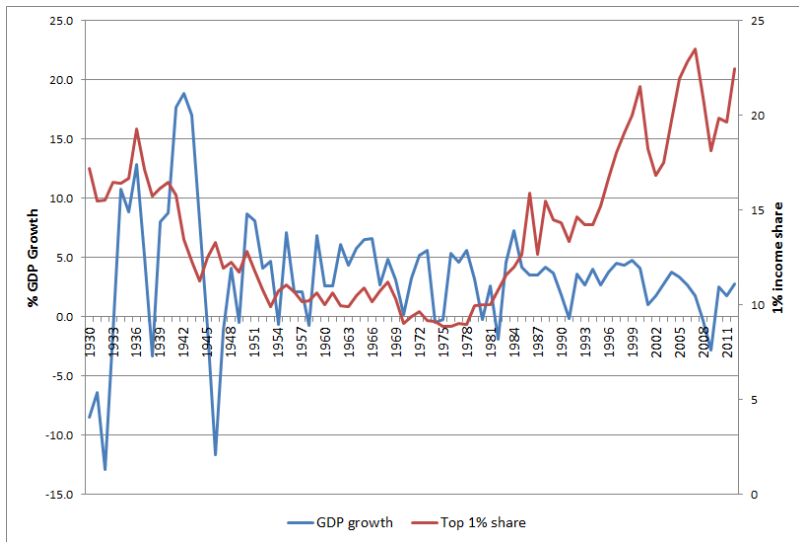
# Union membership and middle-income share



Source: Madland and Miller, CAP, 2013



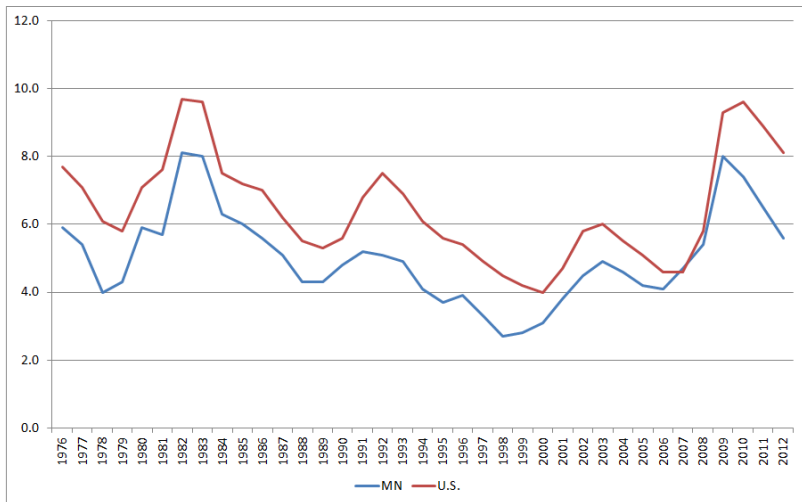
# GDP growth and top 1% share



Source: World Top Incomes Database; Bureau of Economic Analysis



# U.S. and Minnesota unemployment rates



Source: Bureau of Labor Statistics



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