How Much Is Too Much? Comparing Income Inequality and the Cost of Living in Hampton Roads to New York City

HOW MUCH IS TOO MUCH?
COMPARING INCOME INEQUALITY AND THE COST OF LIVING IN HAMPTON ROADS TO NEW YORK CITY

A true revolution of values will soon look uneasily on the glaring contrast of poverty and wealth.
– Martin Luther King Jr.

The worst form of inequality is to try to make unequal things equal.
– Aristotle

The Occupy Wall Street movement, like a shooting star, grabbed our attention for a period of time, but now has all but disappeared. Some lament this development and might well subscribe to the view expressed by Martin Luther King Jr. (above) concerning income disparity, while others regard the movement as misguided sophistry and likely would consider Aristotle's comment to be more on target.

Whatever one's views with respect to the "Occupy" demonstrations that sprang up in cities across the United States (and briefly so in Hampton Roads) in 2011-12, several of the issues raised by them continue to resonate with many Americans. One in particular focuses on the distribution of income in the United States and is nearly always accompanied by the assertion that our distribution of income has become lopsided.

What is the distribution of income in Hampton Roads? How does it compare to the distribution of income in other metropolitan areas such as Richmond and Northern Virginia and, in particular, to New York City, the citadel of Wall Street capitalism? How much income does the median (50th percentile) household earn in Hampton Roads compared to other regions? If one adjusts for regional cost of living differences, then does this alter our conclusions in a meaningful way?

Some Useful Definitions

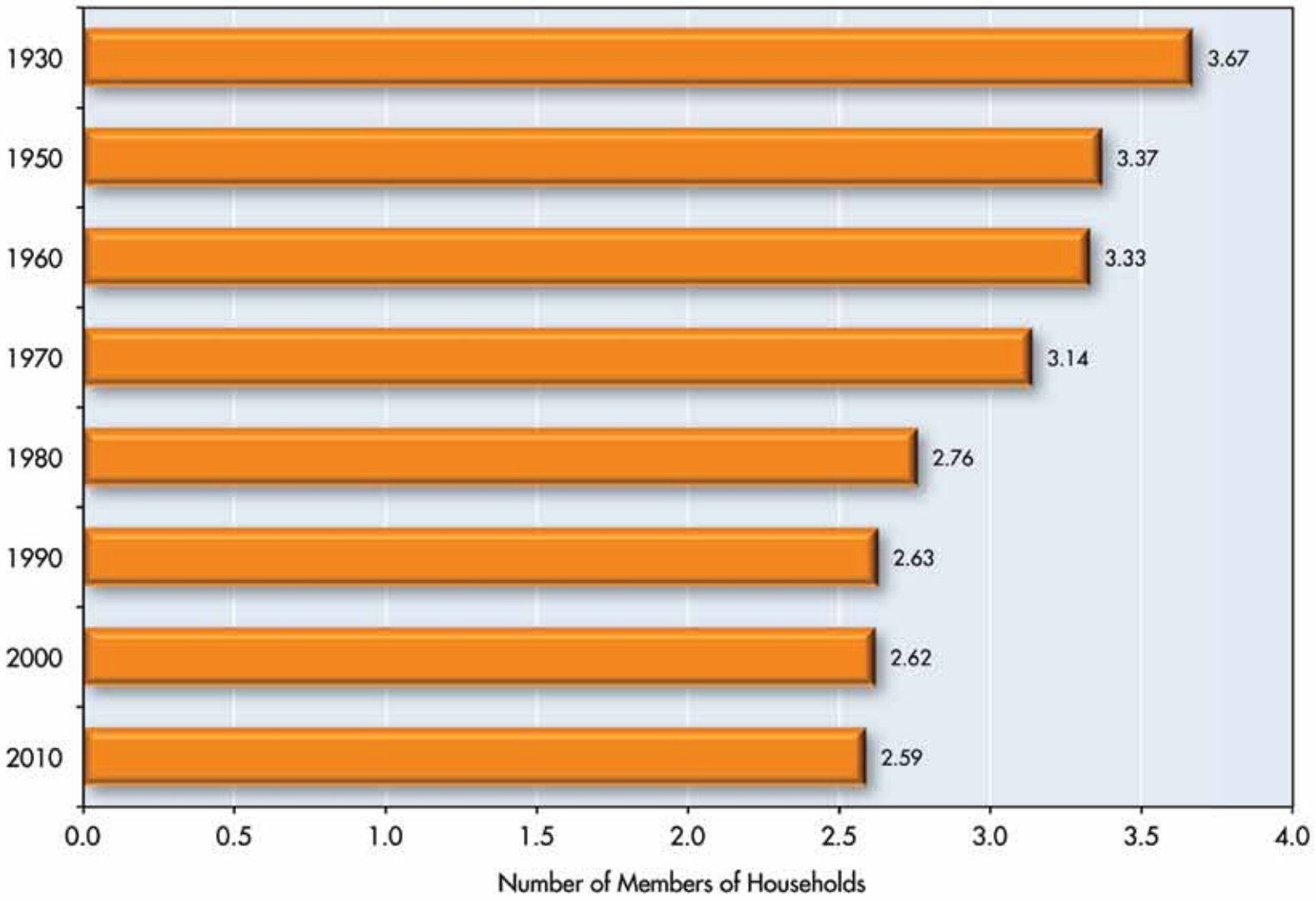
In this chapter we will examine the incomes earned by households. A *household*, in brief, is a domestic unit consisting of the members of a family who live together along with non-relatives such as friends or employees.[1] Since we are concentrating on households, it is important to note that the size of American households has been decreasing for some time. Graph 1 reveals that the average size of a U.S. household declined from 3.67 in 1930 to 2.59 in 2010 (a 29.4 percent decrease). Why is this relevant? The smaller the size of a household, the less ability it has to earn income (holding all other things constant). Thus, part of the declining ability of some households to earn income is due to the fact that now in many households there simply are fewer individuals who can earn money than was true in the past.

The income we will be measuring is pre-tax (not an insignificant point because tax rates in New York City are considerably higher than in Virginia) and includes wages and salaries, capital gains, dividends and money transfer payments such as Social Security, but does not include employer contributions to pension plans or the value of in-kind transfer payments such as food stamps. We measure this for all of the members of a household.

[1] The actual definition utilized by the U.S. Census Bureau (which we rely upon) is more complex because the ways we live are more complicated. The Census Bureau says a household consists of all the people who occupy a housing unit. A house, an apartment or other group of rooms, or a single room, is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live with any other persons in the structure and there is direct access from the outside or through a common hall (www.census.gov/cpa/about/cps/about/spsdef.html).

GRAPH 1

DECLINING SIZE OF U.S. HOUSEHOLDS, 1930-2010



Sources: U.S. Census and http://mjperry.blogspot.com/

Data And Analysis

Let's begin by examining the incomes earned by households in the United States, the New York City metropolitan area, Hampton Roads, the Richmond metropolitan area, Northern Virginia and the Commonwealth of Virginia. One can see in Table 1 that, while 23.6 percent of all households in the country earned less than $25,000 in 2010, and 25.9 percent of all households in the New York City region fell into the same category, only 18.4 percent of Hampton Roads households reported that level of income and a much smaller 8.6 percent in Northern Virginia. At the other end of the distribution, only 4.2 percent of U.S. households reported incomes in excess of $200,000, while 7.4 percent of New York City metropolitan area households did so. Northern Virginia, with 13.9 percent of all households reporting incomes in excess of $200,000 dwarfed the 3.2 percent reported by households in Hampton Roads. In fact, two counties in Northern Virginia are among the top 10 wealthiest in the country and one (Loudoun County) boasts the highest reported incomes of any county in the United States.

LORENZ CURVES AND GINI COEFFICIENTS

The data summaries in Table 1 are useful, but it's a challenge to make sense of so many income numbers at once. Fortunately, there are easier ways available to help us understand how equal (or unequal) our distribution of income is. Graph 2 illustrates a Lorenz Curve for Hampton Roads. A Lorenz Curve reports the percentage of households that earn specific percentages of income. One can see in Graph 2 that in 2010 in Hampton Roads, the bottom 50 percent of households earned only about 22 percent of the household income reported in our region. The lowest 80 percent of the households in Hampton Roads earned only about 52 percent of the total household income reported in our region.

If all households here earned identical incomes, then the Lorenz Curve for Hampton Roads would be the 45-degree black line rising from left to right in Graph 2. Hence, to the extent that income is not distributed equally, the Lorenz Curve bows outward to the southeast. If only one household earned all of the income in Hampton Roads, then the Lorenz Curve would occupy all of the triangular area to the right of the 45-degree line.

Lorenz Curves help us "see" the distribution of income. Gini Coefficients, on the other hand, actually measure and apply a number to any inequality that exists. In terms of our Lorenz Curve, a Gini Coefficient is darkened area A in Graph 2 divided by areas A plus B. Gini Coefficients vary between zero (when all households earn the same income) and one (when one household earns all of the income). Therefore, the higher the Gini Coefficient, the more income inequality there is.

Table 2 reports Gini Coefficients for a variety of jurisdictions; one can see that the Gini Coefficient for Hampton Roads (.424) is less than that of the United States (.467). This tells us that household incomes are more equally distributed here than nationally. Similarly, our Gini Coefficient is below those for the Richmond region and the Commonwealth of Virginia. Interestingly, the Gini Coefficient for Northern Virginia is lower than ours in Hampton Roads, even though there are some very high incomes earned in "NOVA." NOVA's lower Gini Coefficient means that even though higher incomes actually are quite common there, many people earn those higher incomes and thus there is less disparity.

The New York City region, however, clearly stands out in terms of income inequality, and New York's Gini Coefficient (.515) is well above any other jurisdiction. This tells us that household incomes in the New York metropolitan region are distributed less equally than in the rest of the country, especially Hampton Roads. Graph 3 shows us this visually: the green Lorenz Curve (which is bowed out the most) represents New York; the blue, the United States, and the red, Hampton Roads.

Graph 4 compares the Lorenz Curves of Hampton Roads to those of Richmond, Northern Virginia and the Commonwealth. Once again, one can see that household incomes are more equally distributed in Hampton Roads than in any of these other jurisdictions. Graph 5 presents these Virginia income data in a different fashion. Hampton Roads and Northern Virginia provide the greatest contrasts. Compared to Hampton Roads (in red), Northern Virginia (in orange) has much smaller proportions of low-income households and much larger proportions of high-income households.

TABLE 1

HOUSEHOLD INCOME DISTRIBUTION 2010
(PERCENTAGE OF HOUSEHOLDS IN EACH INCOME RANGE)

Income range	U.S.	New York (Metro Area)	Hampton Roads	Richmond (Metro Area)	Northern Virginia	Virginia
Less than $25,000	23.6%	25.9%	18.4%	19.1%	8.6%	18.8%
$25,000 to $100,000	55.6%	48.8%	59.8%	57.5%	43.0%	53.6%
$100,000 to $200,000	16.7%	17.9%	18.7%	19.0%	34.5%	21.3%
$200,000 or more	4.2%	7.4%	3.2%	4.3%	13.9%	6.3%
Total number of households	114,235,996	3,525,508	620,833	471,958	919,237	2,974,481

Source: U.S. Census Bureau American Community Survey

TABLE 2

CHANGE IN INCOME INEQUALITY, 2000 TO 2010

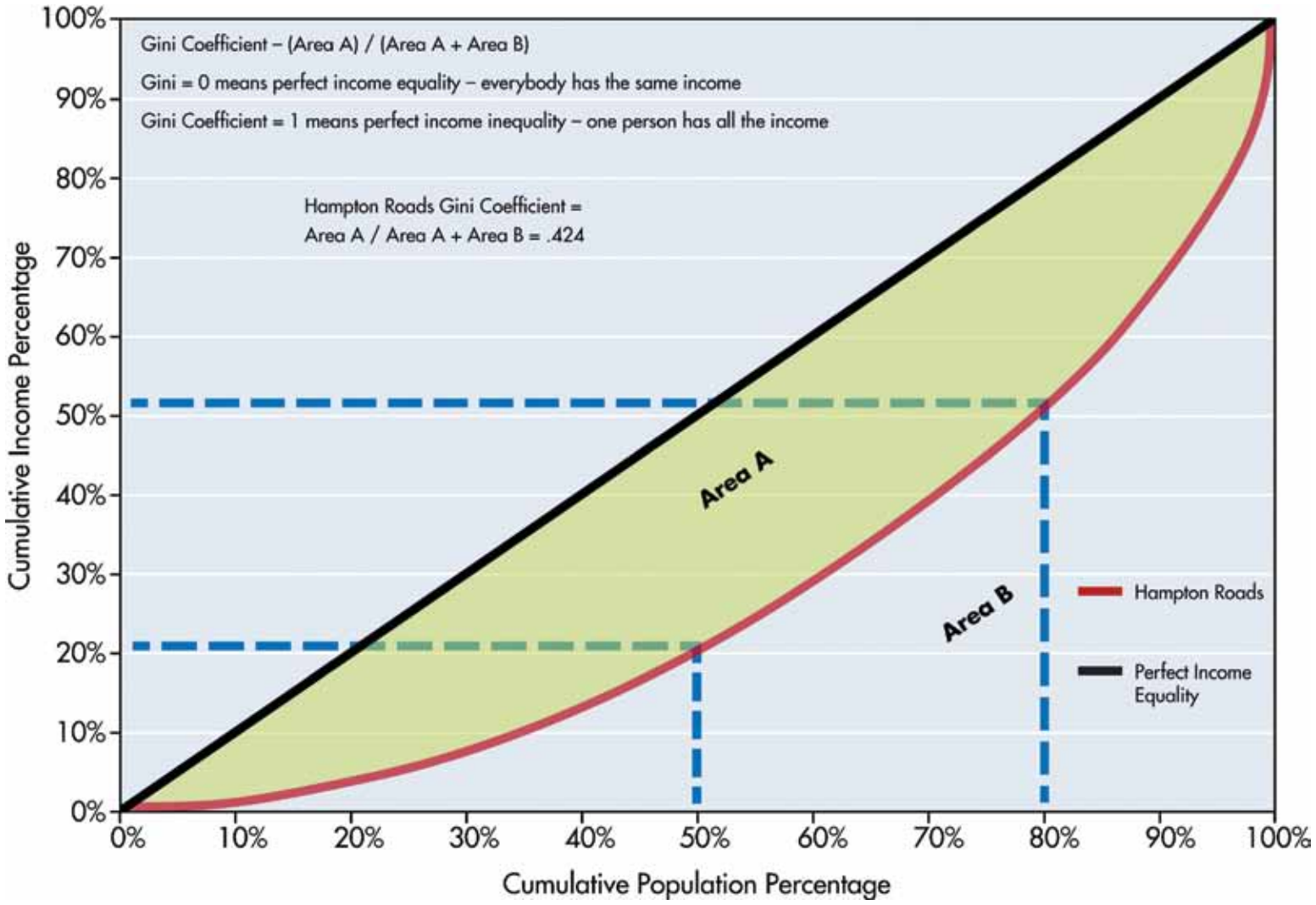
Location	Gini Coefficient, 2000	Gini Coefficient, 2010	% Change in Gini Coefficient
United States	0.450	0.467	+.017 (3.8%)
Virginia	0.441	0.464	+.023 (5.2%)
Hampton Roads	0.412	0.424	+.012 (3.0%)
Richmond (Metro Area)	0.426	0.443	+.017 (4.1%)
Northern Virginia	0.398	0.416	+.018 (4.5%)
New York (Metro Area)	0.511	0.515	+.004 (0.8%)

Sources: U.S. Census Bureau Decennial Census (2000), American Community Survey, and the Old Dominion University Economic Forecasting Project

As we will see in a moment, income inequality in the New York City region is so large that the typical household in Hampton Roads is better off in terms of income than the typical household in New York. This is despite the high incomes that some earn in the Big Apple. This underlines an important point where income inequality is concerned. It is often a mistake to focus on average incomes when one is attempting to measure general economic welfare. They can be deceptive. A small number of high incomes can push up the average income and, unless we look at the entire distribution of income, distort judgments about which state or region actually has the largest proportion of prosperous citizens.

GRAPH 2

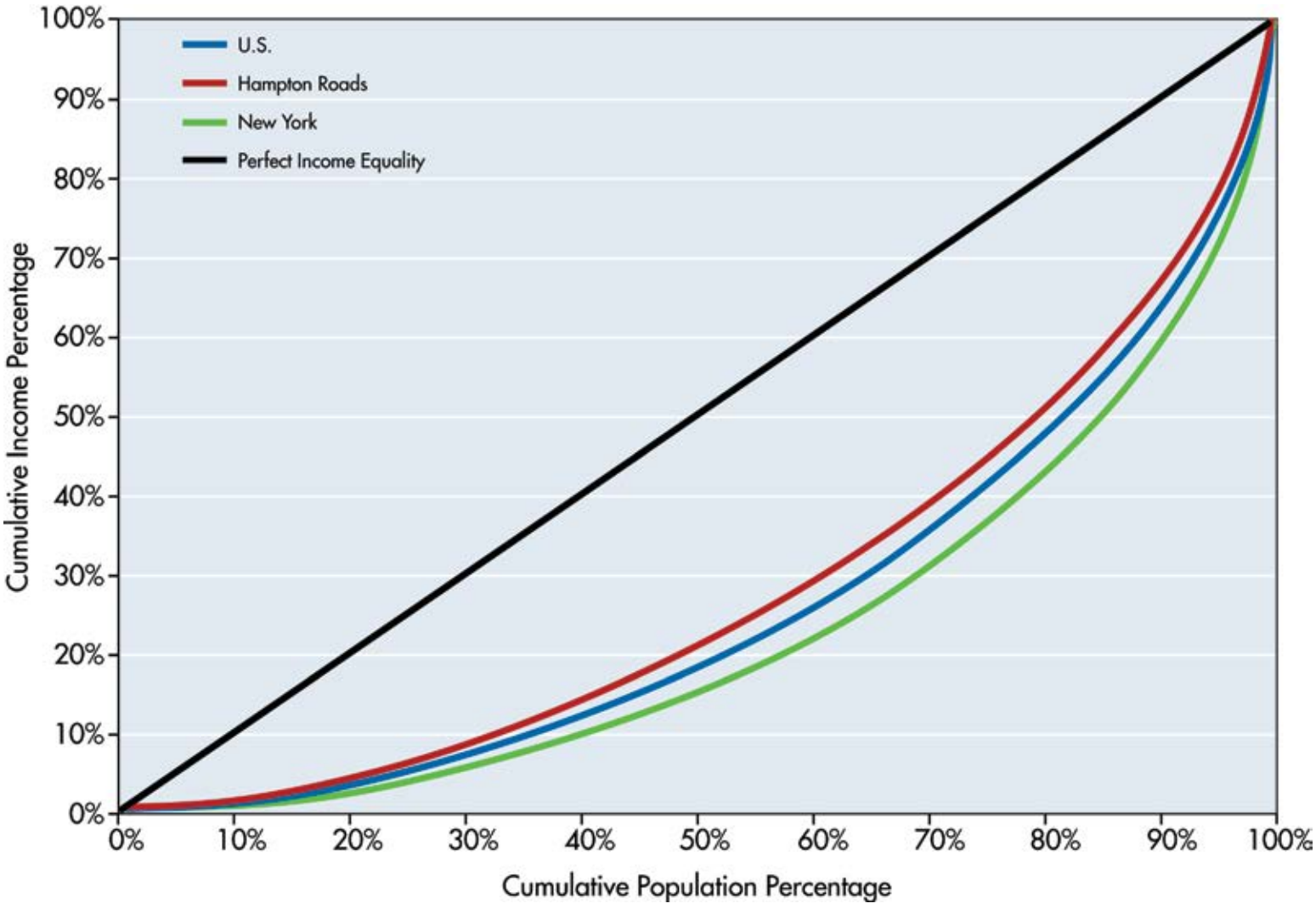
DERIVING LORENZ CURVES AND GINI COEFFICIENTS



Sources: U.S. Census Bureau and the Old Dominion University Economic Forecasting Project

GRAPH 3

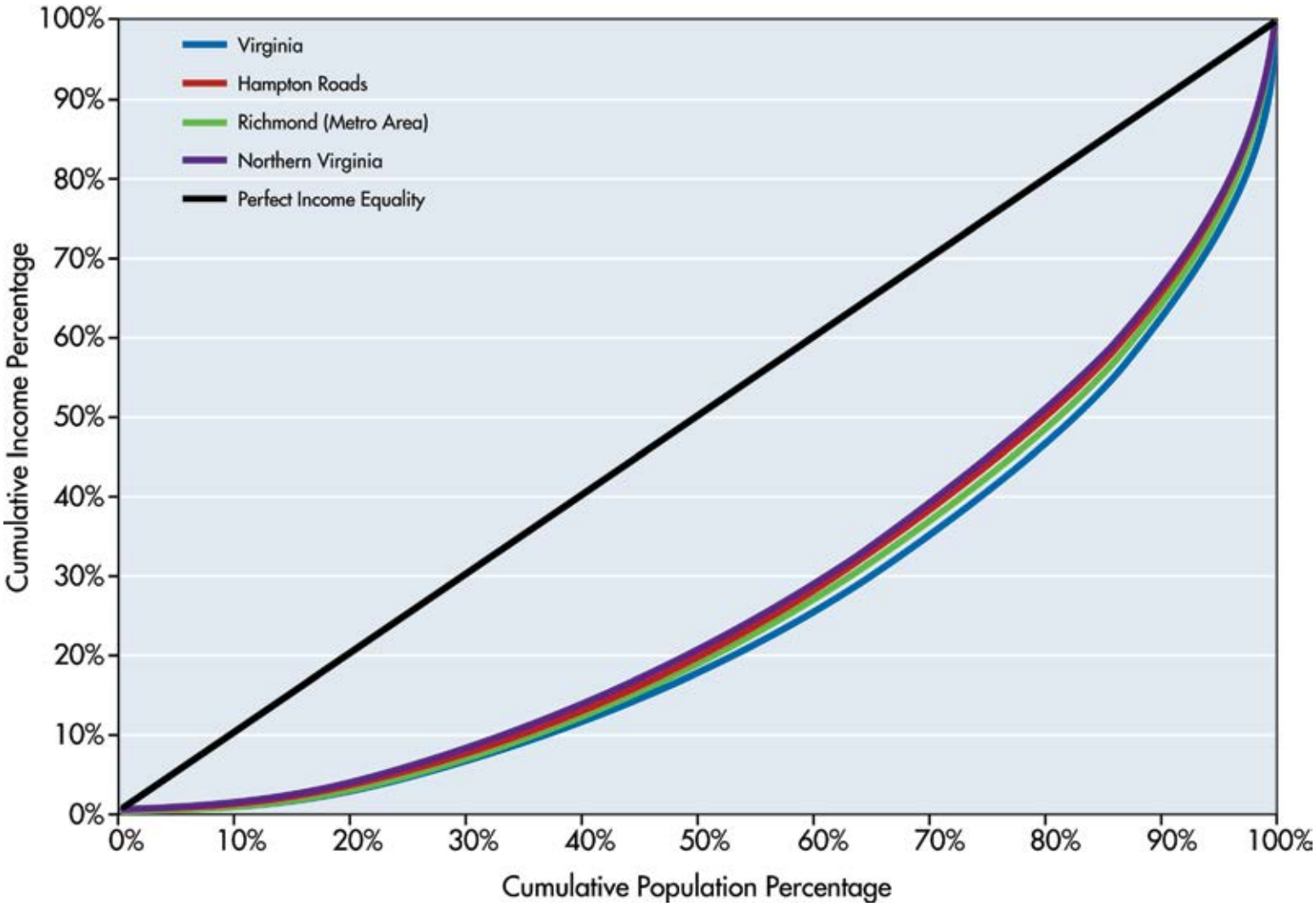
LORENZ CURVES FOR THE U.S., HAMPTON ROADS AND THE NEW YORK METRO AREA, 2010



Sources: U.S. Census Bureau American Community Survey and the Old Dominion University Economic Forecasting Project

GRAPH 4

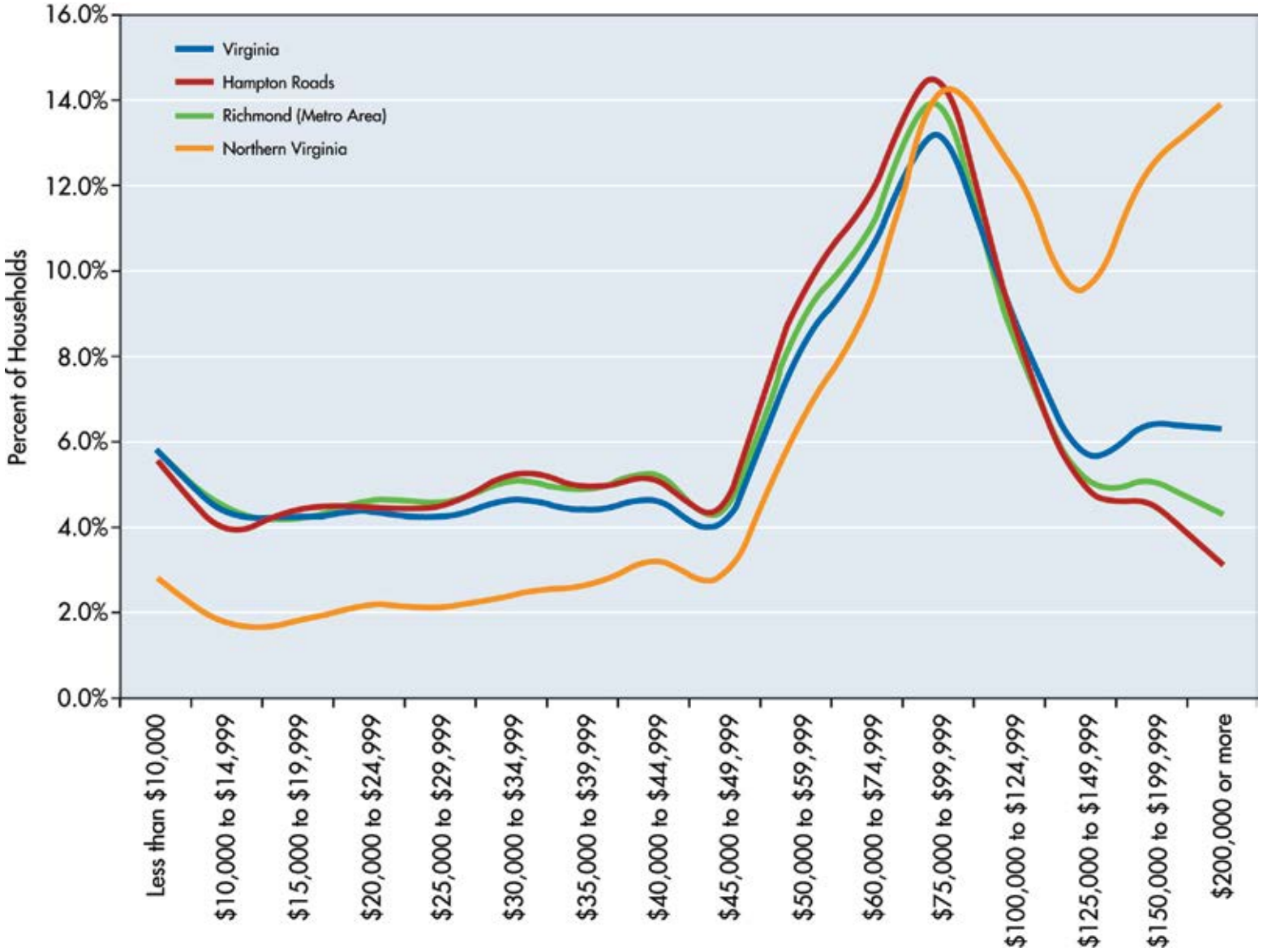
LORENZ CURVES FOR VIRGINIA, HAMPTON ROADS, RICHMOND AND NORTHERN VIRGINIA, 2010



Sources: U.S. Census Bureau American Community Survey and the Old Dominion University Economic Forecasting Project

GRAPH 5

PICTURING THE HOUSEHOLD INCOME DISTRIBUTION IN HAMPTON ROADS AND OTHER REGIONS, 2010



Sources: U.S. Census Bureau American Community Survey and the Old Dominion University Economic Forecasting Project

TAKING THE COST OF LIVING INTO ACCOUNT

How much of Northern Virginia's higher household incomes are whittled away when one takes into account the higher cost of living in NOVA? Table 3 tells us that some, but hardly all, of that income advantage disappears when one factors in the higher cost of living in NOVA (the ACCRA[2] cost of living index for NOVA was 139.9 in 2010 compared to 111.7 in Hampton Roads and 100 nationally). After taking living costs into account, the median (50th percentile) household income in NOVA was $69,253 in 2010, but only $51,571 in Hampton Roads and $51,914 in the United States.

Notably, however, when one adjusts for differences in the cost of living, the median household income in Hampton Roads ($51,571) is 27 percent higher than the median household income ($40,576) in the New York City metropolitan area. This is a result that might astonish the typical Gotham resident, to say nothing of The New York Times, for it directly implies that the typical (50th percentile) household in our region is significantly better off, economically speaking, than the typical household in the New York metropolitan region. To be sure, amenities and other circumstances differ between our two regions. Nevertheless, the economic disparity is significant and not in the direction that many might believe.

What's more, the mean household income of Hampton Roads not only is higher than the mean household income in the New York metropolitan region for the lowest quintile (fifth) of households, but also for the second, third and fourth quintiles of households. It is not until one examines the top quintile (the 81st to 100th income percentiles) that the average New York City area household income is higher than that in Hampton Roads.

Table 4 supports this conclusion by examining the income distribution of households by specific income levels. While 47 percent of households in the New York metropolitan region earned less than $50,000 in 2010, only 42.9 percent of households in Hampton Roads fell into the same category. (And note that this is without adjusting for differences in the cost of living.)

Thus, setting aside cultural amenities, sports teams, restaurants, pollution, crime, congestion and, indeed, everything except income, the lowest-earning 80 percent of households in Hampton Roads are better off economically than the comparable lowest 80 percent of households in the New York metropolitan region. Therefore, it is easy to support the assertion that the typical household in our region is better off, economically speaking, than the typical household in the New York City area.

Lest these interesting numbers go to our heads, it's wise to note that the data in Table 3 also inform us that the median income of a household in Hampton Roads, adjusted for cost of living differences, is 6.9 percent below that of Richmond, 34.3 percent below that of Northern Virginia and 18 percent below that of the Commonwealth. Further, this is true at every quintile (20th percentile) break in the data. Thus, putting New York City aside, it's fair to observe that households in Hampton Roads typically earn less than those in the "Golden Crescent" of Virginia, which extends from Hampton Roads, through Richmond, to NOVA. Our lower incomes, however, are more equally distributed than in these other urban areas.

[2] The ACCRA cost of living index for regions is compiled by the Council for Community and Economic Research. It estimates how the prices of goods and services vary among the regions of the United States at specific points in time.

TABLE 3

COST OF LIVING, MEDIAN INCOME AND MEAN INCOME 2010
(MEDIAN AND MEAN INCOMES ADJUSTED FOR COST OF LIVING DIFFERENCES)

	U.S.	New York (Metro Area)	Hampton Roads	Richmond (Metro Area)	Northern Virginia	Virginia
ACCRA Cost of Living Index, 2010	100.0	131.2	111.7	104.4	139.9	100.9
Median income (adjusted for cost of living)	$51,914	$40,576	$51,571	$55,117	$69,253	$60,858
Mean incomes by quintile (adjusted for cost of living)						
Lowest quintile (bottom 20%)	$11,905	$7,523	$13,187	$13,707	$19,045	$14,213
Second quintile	$31,072	$22,383	$32,880	$34,586	$44,849	$37,160
Third quintile (middle 20%)	$52,153	$40,944	$51,770	$55,385	$69,222	$61,175
Fourth quintile	$81,365	$68,070	$76,322	$83,744	$100,624	$94,734
Highest quintile (top 20%)	$177,922	$180,776	$148,369	$173,700	$195,696	$201,953
Top 5% of households	$315,076	$358,982	$245,897	$298,517	$324,753	$343,180

Sources: U.S. Census Bureau American Community Survey and the Old Dominion University Economic Forecasting Project. Data were adjusted for cost of living differences using ACCRA's Cost of Living Index, Annual Average Data for 2010. Virginia's cost of living is assumed to be the average of the cost of living for all of the metropolitan areas in the Commonwealth and the Washington, D.C., metropolitan area. Northern Virginia's cost of living is considered to be the Washington, D.C., metropolitan area's cost of living, and the cost of living for the U.S. is assumed to be the average for all metropolitan and nonmetropolitan areas covered by ACCRA's index.

TABLE 4

HOUSEHOLD INCOME DISTRIBUTION 2010
(PERCENTAGE OF HOUSEHOLDS IN EACH INCOME RANGE)

Income range	United States	Hampton Roads	New York (Metro Area)
Less than $10,000	7.2%	5.6%	10.0%
$10,000 to $14,999	5.5%	4.0%	5.8%
$15,000 to $19,999	5.3%	4.4%	5.2%
$20,000 to $24,999	5.5%	4.5%	4.9%
$25,000 to $29,999	5.2%	4.5%	4.6%
$30,000 to $34,999	5.3%	5.2%	4.7%
$35,000 to $39,999	4.9%	5.0%	4.2%
$40,000 to $44,999	4.9%	5.1%	4.2%
$45,000 to $49,999	4.3%	4.6%	3.7%
$50,000 to $59,999	8.2%	9.2%	7.2%
$60,000 to $74,999	10.3%	11.7%	9.0%
$75,000 to $99,999	12.3%	14.4%	11.2%
$100,000 to $124,999	7.8%	9.1%	7.7%
$125,000 to $149,999	4.5%	5.1%	4.7%
$150,000 to $199,999	4.4%	4.5%	5.5%
$200,000 or more	4.2%	3.2%	7.4%
Total	100%	100%	100%

Source: U.S. Census Bureau American Community Survey

INCOMES AND INCOME INEQUALITY INSIDE HAMPTON ROADS

What about income inequality inside our own region? We already know that the Gini Coefficient for Hampton Roads rose from .413 to .424 between 2000 and 2010, and this told us that household income was less equally distributed in 2010 than in 2000 in our region. Graph 6 illustrates this change, which one can see was not very large.

Table 5 reports median (50th percentile) household incomes for the cities and counties of our metropolitan region, both for 2000 and 2010. One can see that Poquoson and York County led the pack in 2010 and that Norfolk and Portsmouth brought up the rear in this regard. By far the greatest percentage increase, however, occurred in Suffolk, which experienced dramatic population growth during the decade, some of which involved new, upscale housing developments near I-664. The lowest increase occurred in Mathews County. Somewhat surprisingly, the median income of households in Virginia Beach grew a bit more slowly than the regional average.

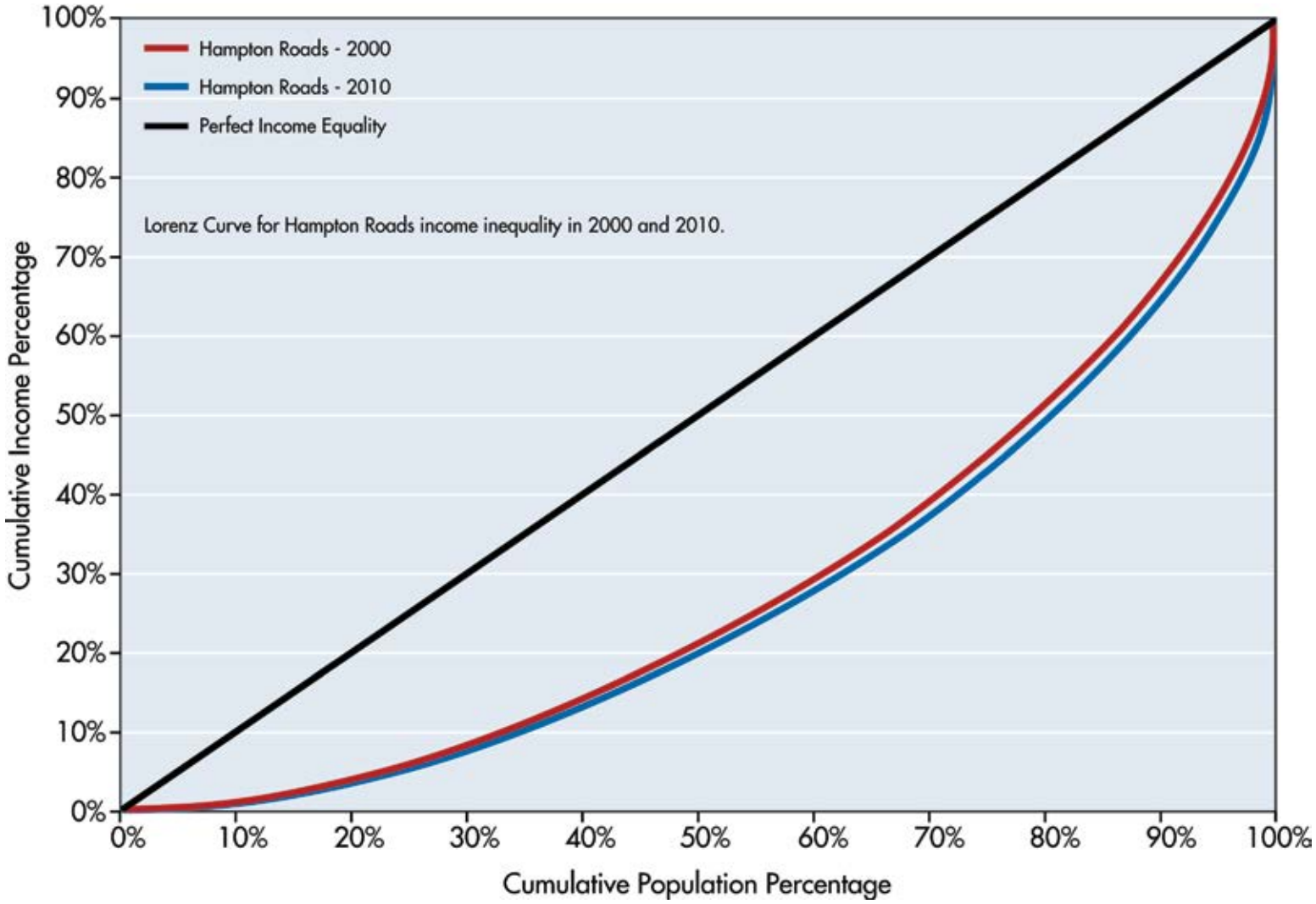
Of interest for both humane and policy reasons is the percentage of households that have very low incomes. Table 6 reveals that approximately one-quarter of households in Norfolk reported incomes under $10,000, both in 2000 and 2010, and this far exceeded the percentage in any other jurisdiction. Contrary to the expectations of some, Virginia Beach ranked second in 2010 with 16.9 percent of all households reporting incomes less than $10,000.

At the other end of the income spectrum, Virginia Beach easily also reported the highest percentage of households earning more than $200,000 in 2010 (see Table 7). Virginia Beach's 32.83 percent in this regard was more than twice that of any other jurisdiction.

Even though we have established above that household incomes are more equally distributed in Hampton Roads than in the remainder of Virginia, the New York metropolitan region and the United States, between 2000 and 2010, all but three jurisdictions in our region saw their household income distributions exhibit greater inequality. Table 8 reports Gini Coefficients for each jurisdiction inside Hampton Roads for 2000 and 2010 based upon household incomes. In 12 of the 15 cities and counties, Gini Coefficients rose during this period (indicating less equal distributions of income). Only Hampton, James City County and Williamsburg bucked this trend. Norfolk now exhibits the greatest inequality in its household incomes and York County the least. Graph 7 presents these data visually in terms of the percent change in the Gini Coefficient for each jurisdiction between 2000 and 2010. In general, income inequality tended to rise in cities and counties that experienced the most population growth, but that was not always the case (though Suffolk constitutes an exception).

GRAPH 6

LORENZ CURVES FOR HAMPTON ROADS: 2000 VS. 2010



Sources: U.S. Census Bureau and the Old Dominion University Economic Forecasting Project

TABLE 5

MEDIAN HOUSEHOLD INCOMES BY LOCATION IN HAMPTON ROADS, 2000 AND 2010

Location	Median Household Income 2000	Median Household Income 2010	Percentage Change 2000 to 2010
Hampton Roads	$42,448	$57,605	35.7%
Currituck County, N.C.	$40,822	$55,376	35.7%
Gloucester County	$45,421	$59,331	30.6%
Isle of Wight County	$45,387	$62,242	37.1%
James City County	$55,594	$73,903	32.9%
Mathews County	$43,222	$47,435	9.7%
York County	$57,956	$81,055	39.9%
Chesapeake	$50,743	$67,855	33.7%
Hampton	$39,532	$49,815	26.0%
Newport News	$36,597	$49,562	35.4%
Norfolk	$31,815	$42,677	34.1%
Poquoson	$60,920	$84,315	38.4%
Portsmouth	$33,742	$45,488	34.8%
Suffolk	$41,115	$65,104	58.3%
Virginia Beach	$48,705	$64,618	32.7%
Williamsburg	$37,093	$50,794	36.9%

Sources: U.S. Census Bureau Decennial Census (2000) and American Community Survey

TABLE 6

DISTRIBUTION OF LOW-INCOME HOUSEHOLDS WITHIN HAMPTON ROADS, 2000 AND 2010 (INCOMES BELOW $10,000 PER YEAR)

Location	Percentage of Hampton Roads Households with Incomes Under $10,000 (in 2000)	Percentage of Hampton Roads Households with Incomes Under $10,000 (in 2010)
Currituck County, N.C.	0.98%	1.15%
Gloucester County	1.93%	1.68%
Isle of Wight County	2.11%	1.69%
James City County	2.23%	2.14%
Mathews County	0.45%	0.41%
York County	1.23%	1.80%
Chesapeake	8.59%	9.83%
Hampton	9.73%	9.91%
Newport News	15.70%	15.06%
Norfolk	25.98%	23.18%
Poquoson	0.26%	0.65%
Portsmouth	10.01%	8.00%
Suffolk	5.63%	6.12%
Virginia Beach	14.32%	16.90%
Williamsburg	0.85%	1.15%

Sources: U.S. Census Bureau Decennial Census (2000) and American Community Survey

TABLE 7

DISTRIBUTION OF HIGH-INCOME HOUSEHOLDS WITHIN HAMPTON ROADS, 2000 AND 2010 (INCOMES OVER $200,000 PER YEAR)

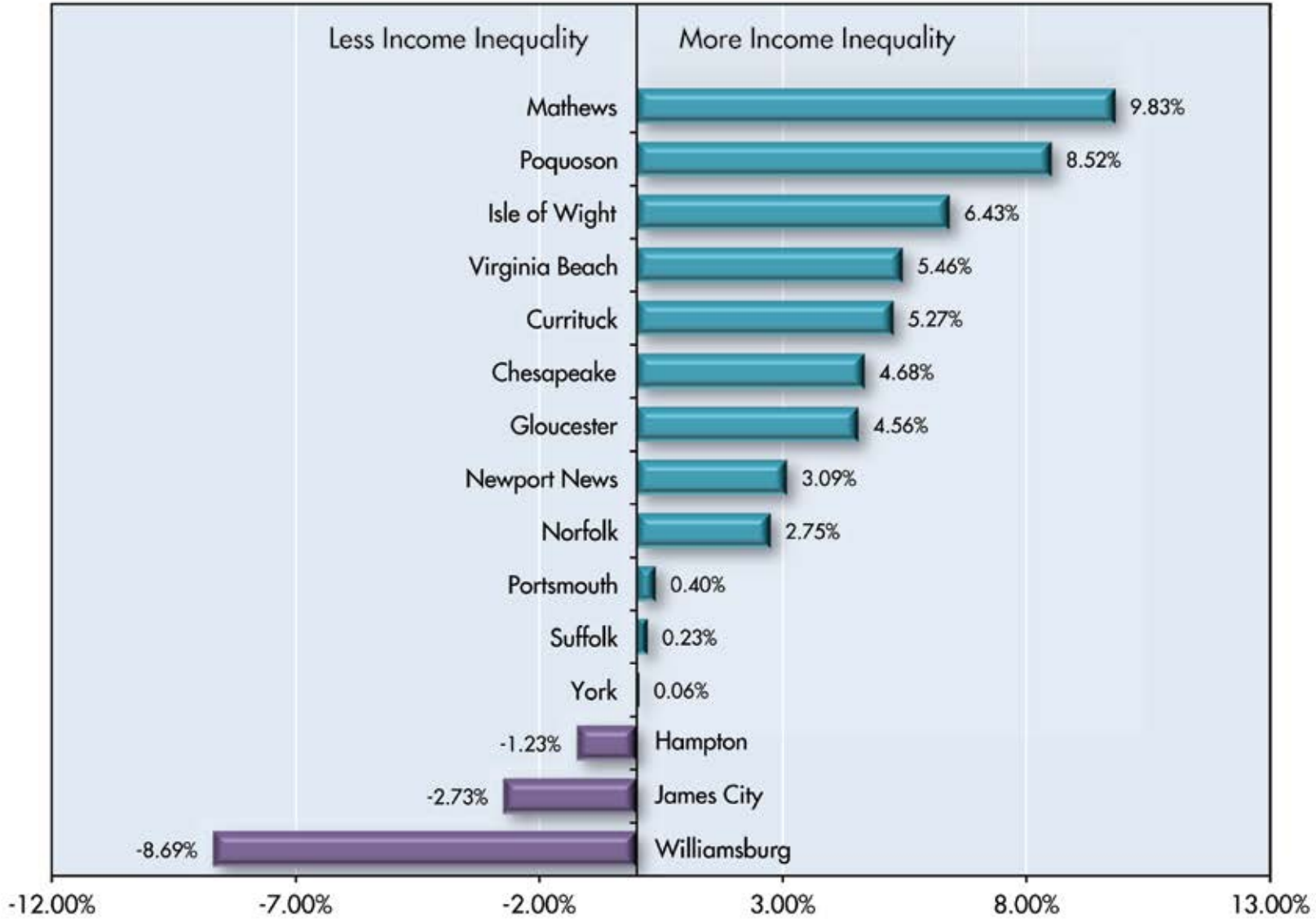
Location	Percentage of Hampton Roads Households with Incomes Over $200,000 (in 2000)	Percentage of Hampton Roads Households with Incomes Over $200,000 (in 2010)
Currituck County, N.C.	1.25%	1.24%
Gloucester County	1.75%	1.67%
Isle of Wight County	1.19%	2.52%
James City County	8.58%	10.00%
Mathews County	0.78%	0.59%
York County	4.24%	7.05%
Chesapeake	10.39%	14.78%
Hampton	5.89%	3.40%
Newport News	6.38%	6.73%
Norfolk	13.79%	9.61%
Poqouson	1.18%	1.75%
Portsmouth	2.44%	2.12%
Suffolk	3.49%	4.29%
Virginia Beach	37.62%	32.83%
Williamsburg	1.04%	1.31%

Sources: U.S. Census Bureau Decennial Census (2000) and American Community Survey

TABLE 8 GINI COEFFICIENTS FOR CITIES AND COUNTIES IN HAMPTON ROADS		
	Gini Coefficient, 2000	**Gini Coefficient, 2010**
Currituck County, N.C.	.409	.431
Gloucester County	.399	.417
Isle of Wight County	.422	.449
James City County	.418	.407
Mathews County	.404	.423
York County	.400	.400
Poquoson	.386	.419
Williamsburg	.477	.439
Chesapeake	.405	.424
Hampton	.431	.426
Newport News	.435	.449
Norfolk	.456	.469
Portsmouth	.435	.436
Suffolk	.448	.449
Virginia Beach	.384	.435

GRAPH 7

CHANGES IN REGIONAL INCOME INEQUALITY, 2000-2010



Sources: U.S. Census Bureau Decennial Census (2000), American Community Survey and the Old Dominion University Economic Forecasting Project

Some Observations About Income Inequality

Nearly always, there exists a tradeoff between income equality and economic growth. More of one often means less of the other. Some degree of income inequality is necessary in order to provide people with incentives to perform, excel, innovate and progress. This is basic to the very nature of a market economy and the theory is that all citizens typically benefit (perhaps unknowingly) when an individual or business firm produces more output, or develops new products.

Consider that in 1800, approximately 80 percent of all workers in the United States were connected to agriculture; today, fewer than 2 percent are so occupied and they not only feed a U.S. population that is 50 times as large, but also export food throughout the rest of the world. The result has been a dramatic increase in our standard of living, and all of us now have time and money to devote to other pursuits. A key to this has been the ability of our farmers to keep most of the fruits of their labor (no pun intended).

Those who have attempted to eliminate income inequality and to submerge or eliminate economic incentives typically have experienced bad results. Witness the demise of the former Soviet Union and contrast it with the rise of the People's Republic of China, which abandoned Marxist notions concerning income inequality and incentives and has boomed ever since.

Nevertheless, while nearly everyone likes the many beneficial effects that incentives have upon economic growth, that same economic growth also can generate many costs. Further, economic growth nearly always generates economic inequality, and this can be problematic. High or increasing levels of income inequality may violate the notions of fairness that many people cherish. This can breed dissatisfaction, reduce societal cohesion and inspire feelings among many people that they are being left out or victimized. Such attitudes can result in falling economic productivity, antisocial behavior, political instability and even revolution. Thus, economic inequality is not a topic that one should sweep under the proverbial rug.

Suppose that we attempt to reduce income inequality by increasing taxes on our highest earners and also increasing tax rates on capital gains. High marginal income and capital gains tax rates discourage entrepreneurial activity. But, what is the supply elasticity of labor in that regard (i.e., how much of a reaction would we get by such tax rate changes)? The average long-run supply elasticity of labor found in economic studies is about +.3 for men and +1.0 for women (Journal of Economic Literature, December 2011). This means that increased marginal tax rates above current levels will reduce the amount of labor supplied. For men, for example, a 10 percent increase in marginal tax rates would result in a 3 percent decrease in labor supplied. However, our use of the term "average" supply elasticity here was deliberate because many studies have been done on this issue, and they have produced many different answers. We would be surprised if increased marginal tax rates did not reduce our labor supply and entrepreneurial activity at least somewhat. However, will the beneficial effects generated by the use of the funds raised by the taxes outweigh those costs? Perhaps, but reasonable people differ in their answers to this question.

How much is too much where income inequality is concerned? Many analysts have addressed this question and their answers are hardly consistent. What is clear is that income inequality has increased worldwide, in the United States, in Virginia and in Hampton Roads. It's also clear that this rise in income inequality violates some people's perceptions of what is fair and equitable. As a consequence, they favor redistributing income, not only because they perceive this to be a matter of justice, but also because they want to increase tax revenues, which variously might enable them to fund public spending that they like, or discourage certain behaviors or reduce budget deficits.

The American public appears to be almost evenly divided on issues relating to the distribution of income. Hence, there is no agreement on "how much is too much," or on the reasons why income inequality has been increasing, or on the most effective ways to diminish income inequality, if that is what we wish to do. Most economists believe that the two most influential causes of increased income inequality have been: (1) technological change that has been biased against workers; and (2) the globalization of economic activity. Neither of these forces is likely to dissipate soon, though there are policies we could adopt that might modify or channel the effects of technological change and globalization. Those policies, however, are a topic for another day.

NOTES

The analysis presented in this chapter relied upon the following definitions:

The 2002 State of the Region report examined many of the same issues and used the New York Primary Metropolitan Statistical Area (PMSA) as the unit of analysis. This included the following eight counties in New York State: Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland and Westchester. The definition is available here: www.bls.gov/oes/2003/may/msa_def.htm#5600.

Effective 2004, all PMSAs were dissolved and replaced by "metropolitan divisions." See Office of Management and Budget Bulletin No. 04-03 for more information.

The 2010 income distribution data we have are for the New York-White Plains-Wayne, N.Y.-N.J., Metropolitan Division. This division includes the same eight counties as the 2000 New York PMSA, but it also now includes three counties from New Jersey: Bergen, Hudson and Passaic. The definition is available here: www.bls.gov/oes/current/msa_def.htm#35644. For purposes of comparison, we defined the New York metro area in 2010 using the same definition applied in 2000. However, this meant that we could no longer obtain mean income for the region and so we relied upon median income.

Northern Virginia is part of the Washington–Arlington–Alexandria, D.C.–Va.–Md.–W.Va. Metropolitan Statistical Area. We examined only the Virginia portion of the MSA, which includes: Alexandria city, Arlington County, Clarke County, Fairfax County, Fairfax city, Falls Church city, Fauquier County, Fredericksburg city, Loudoun County, Manassas Park city, Manassas city, Prince William County, Spotsylvania County, Stafford County and Warren County.