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# Income Inequality Here and There

**JERRY CONOVER**

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Income inequality is gaining increased attention in public forums worldwide as an issue of major concern. Arguing for a hike in the minimum wage, President Obama has called income inequality a bigger threat to the U.S. economy than the budget deficit.

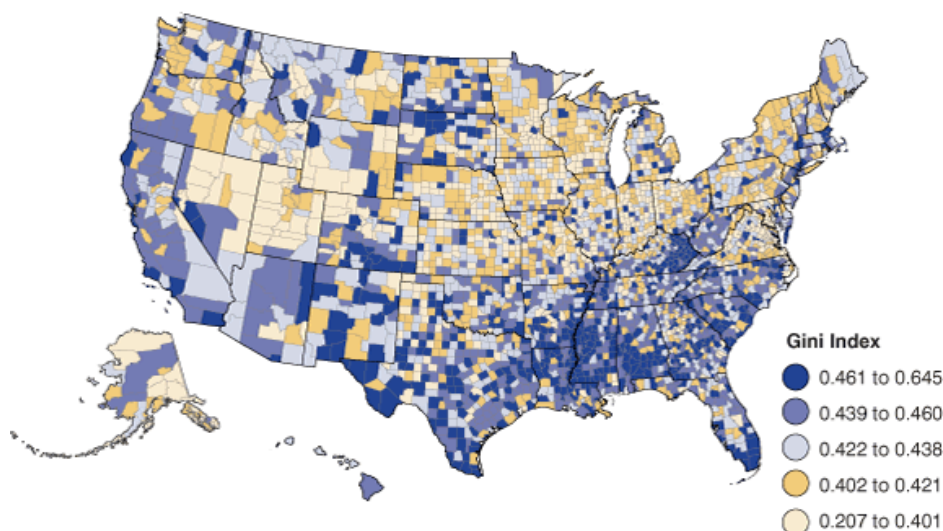
The *Global Risks* report from the 2014 World Economic Forum in Davos, Switzerland, rated income disparity as the most likely global economic risk over the next 10 years, observing that the widening gap between rich and poor has a squeezing effect on the middle classes in developed economies.

Globally, income inequality varies widely. Regions with more evenly balanced distributions of income include Canada, most of Europe, Australia and Kazakhstan. Places with very high levels of income inequality include Bolivia, Colombia, the Central African Republic and much of southern Africa. U.S. income disparity falls in the middle of the worldwide range.<sup>1</sup>

The extent of income inequality is commonly measured by the Gini index, for which a value of 0 indicates perfect equality (everyone has the same income) and a value of 1 indicates perfect inequality (one person has all the income and everyone else has none). Thus, the higher the Gini value, the greater the income disparity between rich and poor. The index can also be used at the level of households or families. A recent Census Bureau report on U.S. household income inequality calculated the Gini index to be 0.467, which is 18 percent higher than in 1967.<sup>2</sup>

Within the United States, we observe wide variation across counties in income inequality. As shown in **Figure 1**, greater inequalities are found throughout much of the southern portion of the nation, while lower inequalities are observed commonly in much of the Midwest, Great Plains and central Rocky Mountain regions.

**Figure 1: Gini Index for U.S. Counties, 2010**



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Source: U.S. Census Bureau American Community Survey five-year estimates

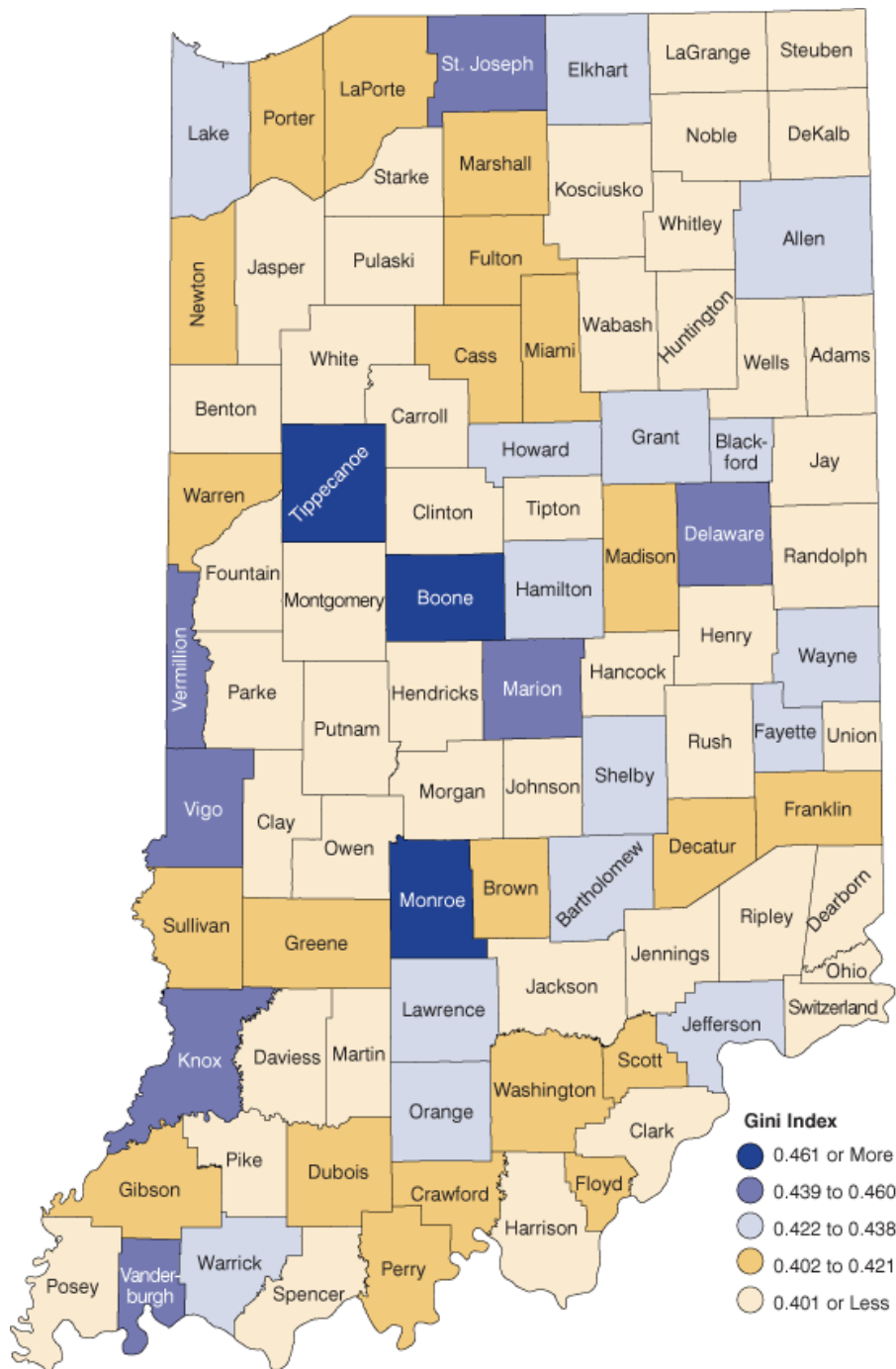
Even within a given state, the Gini index can vary widely. In general, the more unequal counties tend to be more urban, with large populations. One-third of Americans live in counties that rank among the top 20 percent on income inequality (i.e., they have high Gini values). The nation's largest cities tend to have higher concentrations of company headquarters and the kinds of jobs—such as engineering, R&D and finance—that command higher incomes.

At the same time, however, several of the nation's counties with high income inequality are rural, low-population places. In such places, it is easy for a small number of households with high incomes (e.g., owners of large farms or mining operations) to skew the Gini coefficients when most residents have low incomes.

**Figure 2** takes a closer look at variation in income equality across Indiana's 92 counties. Only Boone, Monroe and Tippecanoe counties are in the nation's top-fifth for income inequality. The latter two's large universities lead to many lower-income households, while these communities also are home to many well-paid professionals.

**Figure 2: Gini Index across Indiana Counties, 2010**

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Source: U.S. Census Bureau American Community Survey five-year estimates

The second-highest inequality quintile of Indiana counties includes St. Joseph, Delaware and Vigo counties, all home to sizable universities. This group also includes Marion County, whose population includes many lower-income households (in addition to the IUPUI population) as well as many corporate executives and other wealthy households. Vanderburgh County is in this quintile, with a mix of professional and business households, university students and workers, and a range of other sorts of households. Two more-rural counties, Knox and Vermillion, round out the second-highest group for income inequality.

Indiana's most even distributions of household incomes are found in a wide range of counties. Many are largely rural, but several of the "donut" counties surrounding Indianapolis are also in this group.

Income inequality is the result of many different factors, as these comparisons suggest. On the whole, Indiana is among the nation's more equitable states with respect to distribution of incomes. Given its current prominence in political and social discourse, income inequality is a subject worth keeping an eye on.

## Notes

1. See "The Great Divide: Global Income Inequality and Its Cost," *Global Post*, [www.globalpost.com/special-reports/global-income-inequality-great-divide-globalpost](http://www.globalpost.com/special-reports/global-income-inequality-great-divide-globalpost).
2. Adam Bee, "Household Income Inequality within U.S. Counties: 2006-2010," American Community Survey Brief (ACsBR/10-18), February 2012, [www.census.gov/prod/2012pubs/acsbr10-18.pdf](http://www.census.gov/prod/2012pubs/acsbr10-18.pdf).

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# Indiana's Markets

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# BRICS and Emerging

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Economists and market analysts are continuously searching the horizon to find the next big thing, the next big market to make a sale.

The hunger for the next big market prompted an economist named Jim O'Neill to identify four countries that had the ability to shift the global economic power away from the "advanced" G7 economies, of which the U.S. is a part.<sup>1</sup> These four countries were Brazil, Russia, India and China and earned a well-known moniker, "BRIC." Recently, many analysts have appended South Africa, turning the moniker into "BRICS."

However, the question became "Are there any other emerging markets that may rival BRICS in terms of export growth potential?" Likewise, how is Indiana doing relative to the U.S. in exporting to BRICS and these other emerging markets?

## Identifying Emerging Markets

To identify other fast-growing economies outside of the BRICS, IBRC researchers evaluated country population, GDP per capita and GDP growth rates between 2002 and 2012. Advanced or developed countries were excluded. Several countries had GDP per capita below \$10,000, yet were included due to strong GDP growth rates or large populations (see **Table 1**).

In total, this analysis examined 18 countries, including all of the BRICS. The additional non-BRICS countries are referred to here as "Plus countries" or "other emerging markets (or economies)." Our shorthand for other emerging markets and the BRICS together is "BRICS Plus."

**Table 1: BRICS and Other Growing Emerging Economies**

Country	Population, 2012	GDP Growth Rate, 2002-2012	GDP per Capita, 2012
Brazil	198,656,019	15.0%	\$11,340
Chile	17,464,814	13.3%	\$15,363
China	1,350,695,000	17.3%	\$6,091
Colombia	47,704,427	13.3%	\$7,752
Czech Republic	10,514,810	9.1%	\$18,608
India	1,236,686,732	12.6%	\$1,489
Kazakhstan	16,797,459	21.0%	\$12,007
Malaysia	29,239,927	11.0%	\$10,381

Mexico	120,847,477	6.0%	\$9,742
Peru	29,987,800	12.4%	\$6,573
Poland	38,542,737	9.0%	\$12,708
Romania	21,326,905	13.1%	\$7,943
Russia	143,533,000	17.6%	\$14,037
Saudi Arabia*	28,287,855	11.5%	\$20,778
South Africa	51,189,307	12.4%	\$7,508
South Korea	50,004,000	6.7%	\$22,590
Thailand	66,785,001	10.6%	\$5,474
Turkey	73,997,128	12.2%	\$10,666

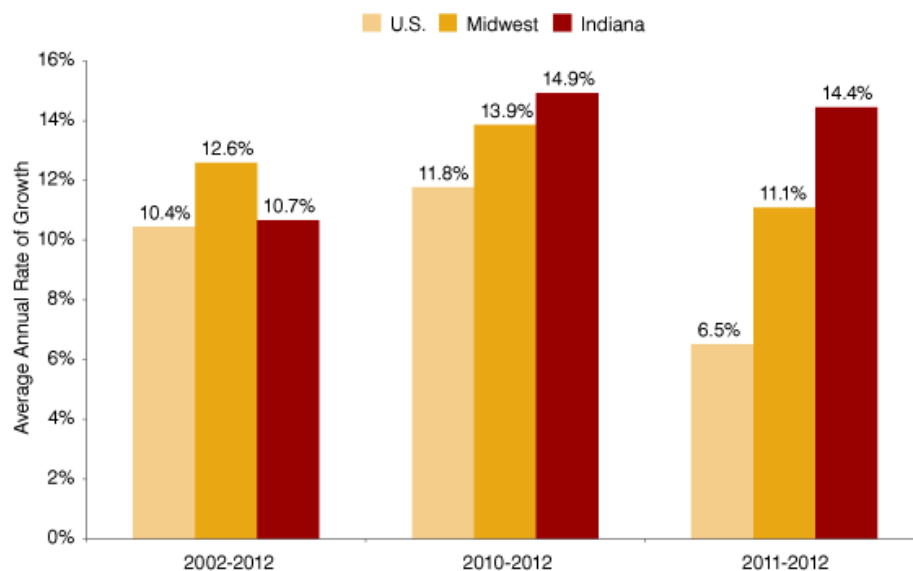
\* Saudi Arabia did not have 2012 data available at time of analysis. Thus, their data reflect the 2001-2011 time period.

Source: IBRC, using World Bank data

## Export Trends

Between 2002 and 2012, the U.S., Midwest and Indiana had strong export growth to the BRICS and other emerging markets. **Figure 1** depicts the average annual growth rates over 10 years (2002-2012), during the export rebound period following the recession (2010-2012) and within the most recent year of available data (2011-2012). In the last 10 years, the Midwest region has experienced stronger export growth relative to the U.S. or Indiana. However, Indiana has excelled in more recent years.

**Figure 1 : U.S., Midwest and Indiana Export Trends to BRICS Plus Countries**



Source: IBRC, using WISER Trade data

This strong export growth from Indiana reflects the commodity mix being imported by the destination countries. When looking at the top 10 Indiana-produced imports for each country, industrial machinery was in the top position across the board—except in the rare case in which it was second. This held true for the BRICS as well as the Plus countries. After industrial machinery, however, things get a little more interesting for the Plus countries.

Regions appeared to have slightly different import profiles. For example, Eastern Europe imports a significant volume of Indiana medical devices and optical instruments but did not import Indiana pharmaceuticals in abundance. Latin American Plus countries did import life science products, except for Mexico. Transportation equipment was the leading commodity group for Mexico to import from the U.S.

The BRICS countries—while not a homogeneous market block due to varying rates of economic

growth, import growth and absolute level of imports—did tend to import similar types of products from Indiana and the U.S. The three heavyweights were industrial machinery, transportation equipment and life science products.

One important finding of this analysis: Indiana's ranking among the states increased and the average rate of export growth outperformed the nation at large for all of the BRICS. This could not be said of the Plus countries.

## Other Key Findings

When attempting to identify the next group of emerging markets, it appears that size of the economy and propensity to import are the more important considerations. The full report, "[U.S. and Indiana Trade Patterns with the BRICS Countries and Other \(Often Overlooked\) Emerging Markets](#),"<sup>2</sup> details the top 10 commodities imported by each country, GDP and import growth trends as well as industry export trends. Below is a list of the key findings for the 2002-2012 time span.

- The BRICS countries all had astonishing economic as well as import growth.
- The BRICS countries' appetite for U.S. and Indiana products also accelerated, with the growth rate of Indiana's exports to the BRICS increasing faster than that of the United States as a whole.
- The import volume from the U.S. and Indiana varied dramatically across the BRICS, from a high of China importing \$1.3 billion (in non-agricultural goods) from Indiana in 2012 to a low of Russia importing \$100 million in 2012.
- The Plus countries of Chile, Colombia, Malaysia, Saudi Arabia, South Korea, Thailand and, of course, Mexico all imported more Indiana goods than did Russia in 2012.
- The growth rates of Indiana's exports to the BRICS exceeded that of the United States, and the state ranking of Indiana exports improved for all BRICS countries.
- The growth rates of Indiana's exports to the Plus countries were not consistently better or worse than the U.S.
- Economic growth for the Plus countries, in aggregate, was about half that of the BRICS, but was still better than the global average.
- Import growth from all global sources to the Plus countries was greater than either the U.S. or Indiana.
- Life sciences products ranked highly, making up nearly 60 percent of Indiana exports to South Korea.

## Conclusion

The economic block of countries called BRICS have been very much in the news. Their economic growth rates have helped buoy the global economy when the advanced economies were in the throes of the Great Recession.

That said, there are several other emerging markets that eclipse even the BRICS in terms of their imports from Indiana. These "Plus countries" cannot be overlooked in terms of their market potential. In recent years, Indiana's export growth to the BRICS Plus countries has exceeded the nation and Midwest due to these countries' appetite for transportation equipment, industrial machinery and life science products.

Given the product groups that Indiana manufacturing specializes in and given the continued rapid economic growth of the BRICS Plus countries, one can say that Indiana is well positioned to expand exports in the coming years.

## Notes

1. To read the original paper written by Jim O'Neill, see "Building Better Global Economic

BRICs" at [www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf](http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf).

2. Read the full report at [www.ibrc.indiana.edu/studies/BRICS2013.pdf](http://www.ibrc.indiana.edu/studies/BRICS2013.pdf).

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# Hoosiers on the Move

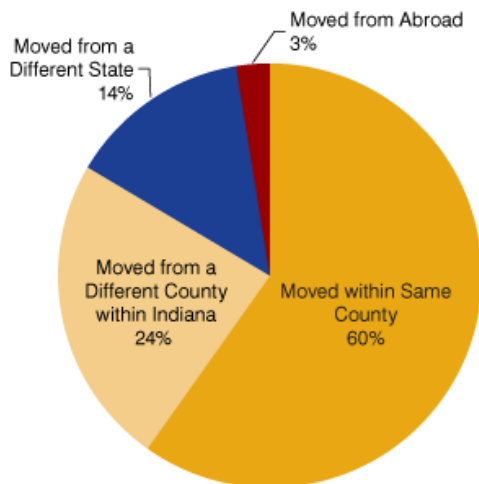
**RACHEL STRANGE**

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Between 2011 and 2012, 15 percent of Indiana’s population moved, consistent with the national rate, according to the 2012 American Community Survey from the U.S. Census Bureau. What do we know about these residents on the move?

60 percent of the 964,000 Indiana residents who moved in the prior year changed homes within the same county (see **Figure 1**). Meanwhile, 14 percent of those who moved came from a different state.

**Figure 1: Where Indiana Residents Who Moved in the Past Year Moved From, 2012**



Source: IBRC, using U.S. Census Bureau data

**Figure 2** shows that as people age, they are less prone to moving. While 36 percent of the 20-to-24 age group moved in the past year, the percentage consistently falls for each successive cohort until reaching a low of 5 percent for those aged 70 to 74.

**Figure 2: Percent of Indiana Population that Moved in the Past Year by Age, 2012**

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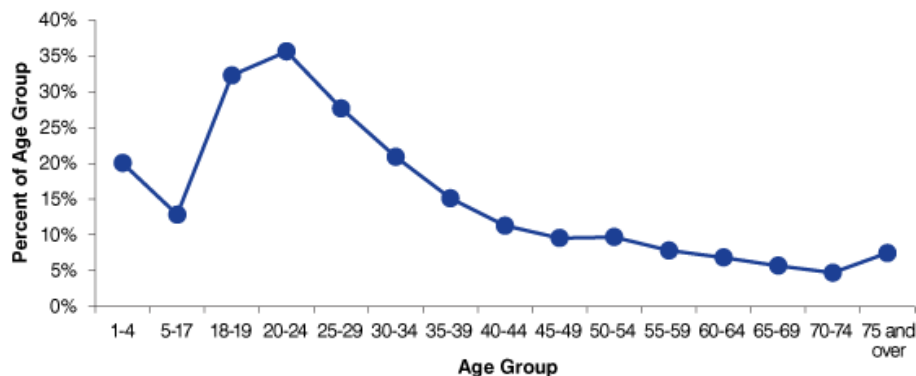
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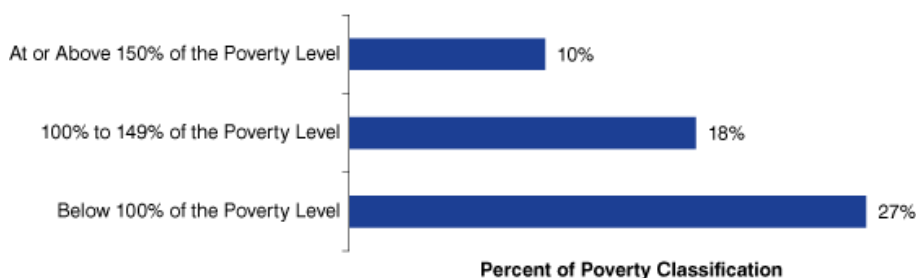


Source: IBRC, using U.S. Census Bureau data

Thirty-three percent of renters moved between 2011 and 2012, compared to just 6 percent of homeowners in the state. Likewise, a smaller percentage of the married population had moved within the past year (9 percent) relative to the never married group (24 percent).

Additionally, whereas just 10 percent of those at or above 150 percent of the poverty line moved, that number increases to 27 percent for those below the poverty line (see **Figure 3**).

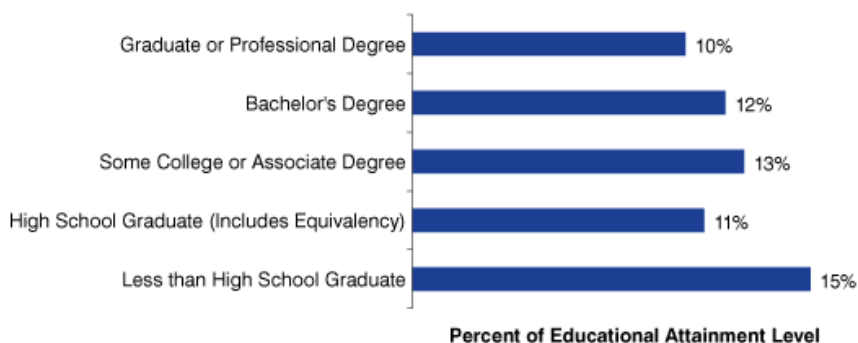
**Figure 3: Indiana Population Who Moved in the Past Year by Poverty Status, 2012**



Source: IBRC, using U.S. Census Bureau data

When looking at movement by educational attainment, the percentages do not differ that dramatically. Whereas 15 percent of those without a high school diploma moved between 2011 and 2012, 10 percent of those with a graduate or professional degree had moved in the past year (see **Figure 4**).

**Figure 4: Indiana Population Who Moved in the Past Year by Educational Attainment, 2012**



Source: IBRC, using U.S. Census Bureau data

## Learn More

To learn more about movers from the American Community Survey, visit [American FactFinder](#) from the U.S. Census Bureau and use the keyword "Geographic Mobility." For more information about Indiana's housing market, visit the [Housing Topic Page](#) on STATS Indiana.

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