

RESEARCH UPDATE

Institute for Economic Advancement

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Trends in Arkansas's Per Capita Personal Income

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Per capita personal income (PCPI) in Arkansas has historically lagged behind the U.S., to some extent because of the agricultural basis of its economy. Late in the 1940s economic development efforts in the state began with community research and marketing by the main electric utility of the period, Arkansas Power and Light Company. By the mid-1950s, the Arkansas legislature created the Arkansas Industrial Development Commission, funded the Industrial Research and Extension Center, and began development efforts in earnest. Between 1958 and 1978, PCPI in Arkansas rose from less than 62% to more than 78% of U.S. PCPI. Since 1978, it has fluctuated between 72% and 77% of the nation's PCPI.

Urban areas in Arkansas generally fare better than rural areas in terms of PCPI. In 2000, PCPI of the seven existing metropolitan statistical areas (MSAs) in Arkansas ranged from 94.2% of the U.S. average (in the Memphis MSA) to 71.4% of the U.S. (in the Pine Bluff MSA). With the exception of the Memphis and Little Rock-North Little Rock MSAs, they lag behind 20 of the 22 high growth MSAs identified throughout the U.S. When the percent of urban populations in Arkansas MSAs and the high growth MSAs was plotted against PIPC, a positive correlation between the factors was identified. Thus, the projected increase in urban population between 2000 and 2020 bodes well for future PCPI in Arkansas.

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Variance in PCPI is correlated with a number of factors. In addition to urban status, an analysis of the 22 high growth MSAs and the Arkansas MSAs found positive correlations to exist between PCPI and population size, percent of the adult population in the labor force, and, most strongly, percent of the adult population with at least a Bachelor's degree. Not surprisingly, PCPI was strongly negatively correlated with percent of the adult population without a high school diploma.

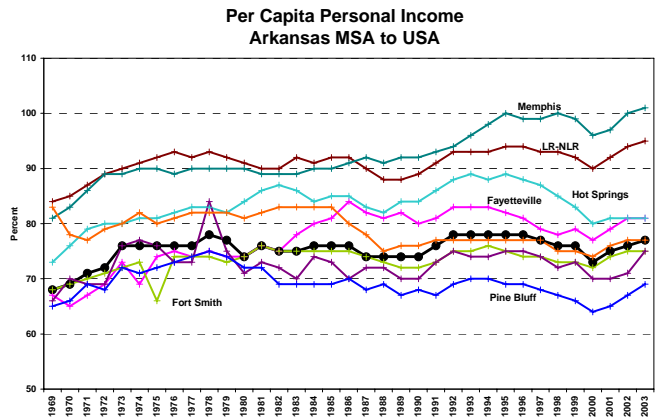
A comparison of the distribution of county PCPI to either the state or the nation's PCPI level demonstrates remarkable stability in the geographical distribution of PCPI in Arkansas. A similar finding is found in the MSAs of the state.

For the 1970-2003 period the historical record of Arkansas' PCPI relative to that of the nation's shows little evidence of the state gaining relative to the nation. As demonstrated by the frequency distributions of Arkansas's county PCPI to the nation's PCPI, many county's PCPI converged on the national PIPC level, and the overall distribution of county's PCPI's narrowed. But, the mode of the county's PCPI frequencies remained in the 60%-70% range of the nation's PCPI. Overtime (1970-2003), county's PCPI have only shown a slight tendency to converge to the national PCPI level. In 2003, only one county has achieved parity with the nation.

When comparing county's PCPI to the state's PCPI, similar results are found as demonstrated by the accompanying frequency distributions. Overtime, the distributions have narrowed. Fewer counties are found in the 100% or more of the state's PCPI group, but roughly the same number of counties remained in the 80%-120% group.

Frequency Distribution of County's PCPI Ratios to State 1970-2003					
County PCPI as Percent of Arkansas	1970	1980	1990	2000	2003
>140%	1	0	1	1	1
140%-130%	1	1	0	0	0
130%-120%	4	4	4	3	3
120%-110%	9	9	7	6	6
110%-100%	20	19	18	17	15
100%-90%	22	26	28	30	32
90%-80%	14	10	13	14	15
80%-70%	3	6	4	4	3
70%-60%	1	0	0	0	0
Total	75	75	75	75	75

Regarding Arkansas's MSA, a ratio MSAs' PCPI ratio to the nations has remained stable over the 1969-2003 period. Even though there has been some shifting in the rankings of MSA, and in recent years there is a period of convergences for some MSAs. This is demonstrated in the following chart.



To raise PCPI in Arkansas, policies must be devised to enhance the rate of convergence of PCPI to the national level. Looking at the historic evidence, there has not been significant lasting successes at closing the state's PCPI gap. For success in the future, new policies must be devised and careful considerations given to policy factors that can alter the path of PCPI.

NOTE: Much of this article is a summary of UALR Institute for Economic Advancement report by the author's "Closing the Gap: An Examination and Analysis of Per Capital Personal Income in Arkansas." The authors acknowledge financial support from Accelerate Arkansas – a statewide group of volunteers working under the Capital Resource Corporation. Gregory L. Hamilton, Ph.D. can be reached at glhamilton@ualr.edu and Terre McLendon can be reached at tamclendon@ualr.edu.



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