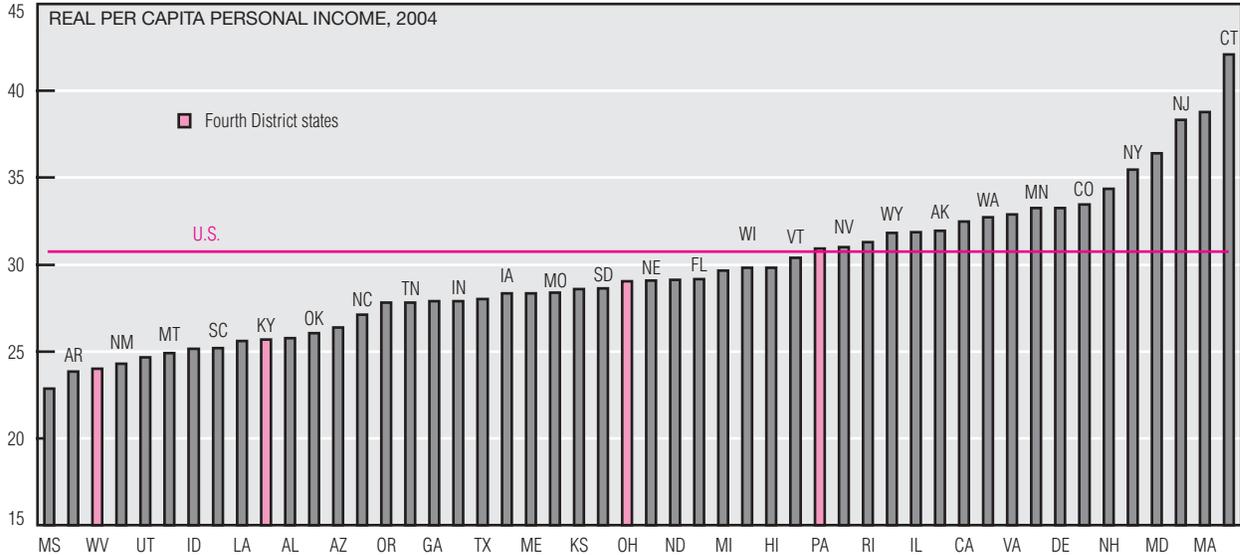
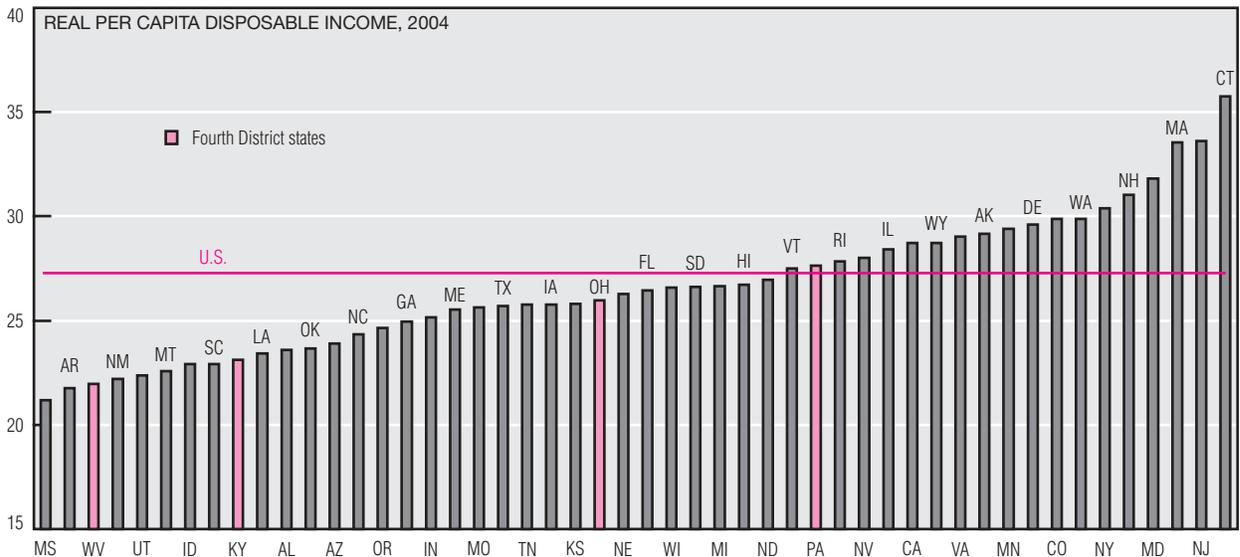


Income Variation

Thousands of chained 2000 dollars



Thousands of chained 2000 dollars



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Americans' average income varies considerably across states. In 2004, Connecticut had the highest real per capita personal income at \$42,107; Mississippi had the lowest at \$22,863. Of the Fourth District states, only Pennsylvania, at \$30,930, exceeded the U.S. average of \$30,558.

Another measure of income is per capita disposable income, which equals personal income minus taxes plus transfer payments. States' rankings in terms of real per capita disposable income are fairly similar to

those for real per capita personal income. Connecticut was at the top with \$35,769 in 2004, whereas Mississippi was at the bottom with \$21,172. Pennsylvania, with disposable income of \$27,634, was the only Fourth District state that exceeded the national average of \$27,289.

One reason governments levy taxes is to transfer income from high- to low-income earners. The state data give some insight into the federal government's role in these sorts of transfers. For Connecticut, the state where earnings were highest,

real per capita disposable income was 15% lower than personal income. By way of contrast, in Mississippi, where earnings were lowest, the difference was 7.4%.

An alternative way to evaluate the redistributive role of government is to observe that Connecticut's real per capita personal income was 1.84 times Mississippi's in 2004, whereas Connecticut's real per capita disposable income was only 1.69 times Mississippi's. In other words, disposable income varies less across states than personal income.