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CORNHUSKER ECONOMICS

UNIVERSITY OF
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Institute of Agriculture & Natural Resources
Department of Agricultural Economics
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Measuring Economic Development II - Persistent Income Inequality 1980-2000

Market Report	Yr Ago	4 Wks Ago	2/23/07
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$89.54	\$85.52	\$89.75
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	139.27	113.72	116.54
Nebraska Feeder Steers, Calves Med. & Large Frame 750-800 lb	113.83	*	96.96
Choice Boxed Beef, 600-750 lb. Carcass	153.21	149.37	152.24
Western Corn Belt Base Hog Price Carcass, Negotiated	61.30	60.43	62.97
Feeder Pigs, National Direct 50 lbs, FOB	58.33	*	70.96
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	64.35	64.31	70.46
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct	78.00	*	86.38
National Carcass Lamb Cutout, FOB	212.23	241.52	245.11
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu	3.96	4.36	4.57
Corn, No. 2, Yellow Omaha, bu	1.97	3.80	4.11
Soybeans, No. 1, Yellow Omaha, bu	5.43	6.63	7.32
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.82	6.25	6.66
Oats, No. 2, Heavy Minneapolis, MN, bu	2.08	2.77	2.78
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	130.00	135.00	*
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	92.50	*
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	55.00	82.50	*
* No market.			

Economic development is “sustained progressive change to attain individual and group interests through the expanded, intensified and adjusted use of resources,” where “human welfare is the end product of the development process.”¹ The previous issue of *Cornhusker Economics*² used persistent poverty as one way to measure development at the community-level. Another way social scientists measure development is to look at how evenly income is distributed within a community. Thus, an equal distribution has ten percent of households receiving ten percent of the income, fifty percent of households receiving fifty percent of the income, and so on. Although the question of whether this distribution is fair and socially desirable is a value judgment best left in the realm of politics, it does provide a reasonable benchmark to better understand income disparities.

Income inequality is measured using Gini coefficients, which compares the actual distribution of income to an equal distribution across 14 income groups using data from the U.S. Census. Gini coefficients range from zero, indicating low inequality to one, indicating high inequality. Communities with persistent income inequality had Gini coefficients of 0.5 or greater in each of the last three census periods (1980, 1990 and 2000). As a comparison, the income Gini coefficient in the United States was over 0.4, which was generally higher than most Western European countries where the coefficient is around 0.3.³

Analysis of the data shows that persistent income inequality has been highly localized in Nebraska, tending to cluster in the southeastern and northern parts of the state (see

¹ Shaffer, R., S. Deller and D. Marcouiller. 2004. *Community Economics* Blackwell Professional: Ames, IA.

² Peters, D. 2007. “Measuring Economic Development I: Persistent Poverty 1980-2000.” *Cornhusker Economics*, February 21, 2007, University of Nebraska Extension.

³ United Nations Development Programme. 2006. *Human Development Report 2006*. Palgrave MacMillan: New York.



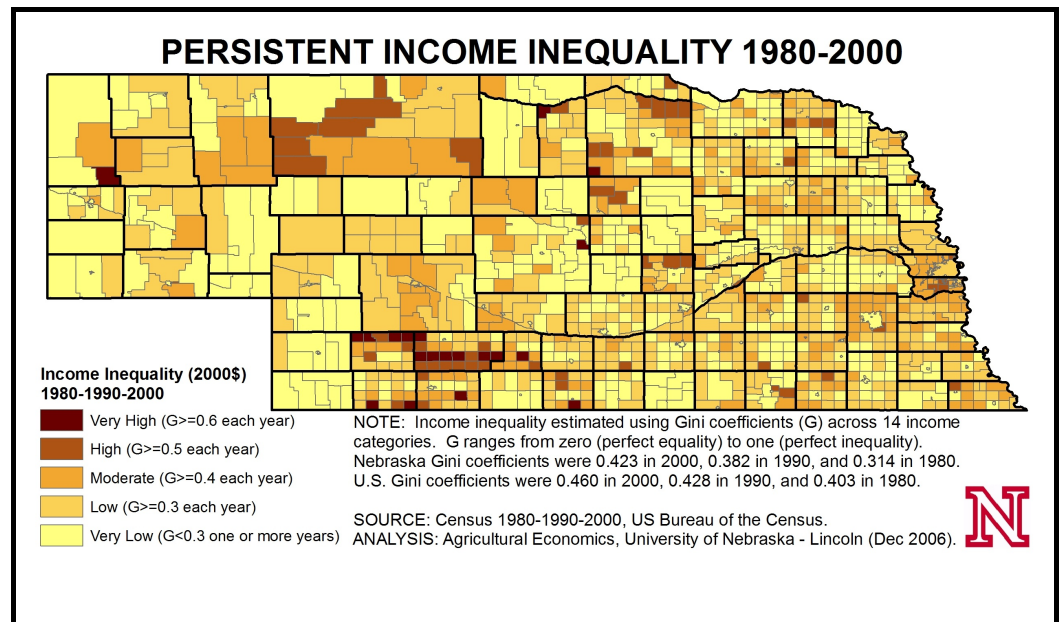
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Figure 1 and Table 1 on next page). Only 21 communities in the state, encompassing around 500 people, were classified as *Very High Inequality* areas. More prevalent was *High Inequality* areas, which included 63 communities containing roughly 50,000 people. However, the vast majority of Nebraska's population lived in low or very low areas of inequality.

Very High Inequality communities can be characterized as being predominately lower-middle income, white, poorly educated and dependent on agriculture. Median household income was \$39,010 in 2000, indicating that income in these areas was concentrated in the lower-middle range. In terms of demographics, very high inequality areas had the lowest rates of single-headed families with children (0.5%), minority populations (5.6%) and college-educated adults (17.1%), compared to other areas. In terms of employment, very high inequality areas were dominated by the agriculture sector. Over 30 percent of workers were self-employed in agriculture, compared to roughly four percent in lower inequality areas; and nearly 11 percent were employed as agricultural wage workers, compared to roughly two percent in other areas. Further, these areas had the lowest rates of employment in manufacturing, trade, transportation and utilities, and advanced services (i.e. information, finance, insurance and professional services).

In addition, a small number of Nebraska communities were identified as *High Inequality* areas, which had distinct characteristics. High inequality areas can be characterized as being wealthy, highly educated and economically tied to advanced services, transportation and utilities. Income in these areas was concentrated in the upper levels, as indicated by the high median household income (\$69,130). High inequality areas were very well educated, having the highest rates of college educated adults (40.7%), and the lowest rates of adults with less than a high school education (4.5%). Reflecting this high educational attainment, nearly 20 percent of workers in high inequality areas were employed in advanced services (i.e. information, finance, insurance and professional services), which was the highest rate compared to other areas. High inequality areas also had the highest rates



of employment in transportation and utilities (7.9%), and to a lesser degree in trade (16.7%).

In summary, although income inequality is a value-laden concept, it is useful in measuring the degree to which all members of a community share in the fruits of economic development efforts. The good news is that the majority of Nebraskans (nearly 90 percent) live in communities where wealth is generally shared amongst all people, resulting in low to very low income inequality. However, highly localized pockets of inequality do exist in the state and are of two distinct types. First, *Very High Inequality* communities were predominately lower-middle income, white, poorly educated and dependent on agriculture. Small in number, these tended to cluster in the southeastern part of the state. Second, *High Inequality* communities were typically upper income, highly educated and economically tied to advanced services, transportation and utilities. These areas were more diffused throughout the state, clustering in suburban Omaha and the rural parts of southeastern and northern Nebraska.

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Table 1. Characteristics of Income Inequality Areas, 2000

Indicators for 2000	Very High Inequality Gini ≥ 0.6 each year	High Inequality Gini ≥ 0.5 each year	Moderate Inequality Gini ≥ 0.4 each year	Low Inequality Gini ≥ 0.3 each year	Very Low Inequality Gini < 0.3 one or more years
Minor Civil Divisions (number)	21	63	211	454	485
Population (number)	502	51,862	139,216	700,917	818,766
Minority Population	5.6%	7.7%	5.8%	17.1%	10.2%
Single Headed Families with Children	0.5%	5.0%	5.5%	8.5%	7.5%
Less than High School Degree	14.9%	4.5%	7.8%	13.1%	15.2%
Bachelors Degree or Higher	17.1%	40.7%	29.7%	24.2%	21.3%
Disabled Population	24.5%	14.3%	17.4%	25.4%	27.2%
Unemployed	1.8%	1.4%	1.7%	2.6%	2.5%
Median Household Income (2000\$)	\$39,010	\$69,130	\$56,082	\$40,392	\$35,787
Agriculture - Wage Workers	10.6%	1.3%	1.9%	1.4%	2.1%
Agriculture - Self-Employed	35.1%	2.5%	5.0%	3.1%	3.5%
Construction	6.0%	5.7%	7.0%	6.5%	6.4%
Manufacturing	5.0%	6.9%	10.0%	11.3%	13.8%
Trade	8.9%	16.7%	15.8%	15.7%	15.6%
Transport, Warehousing and Utilities	3.5%	7.9%	7.0%	6.9%	5.3%
Information, Finance, Insurance and Professional Services	4.3%	19.8%	17.0%	15.0%	10.5%
Real Estate, Rental, Management and Administrative Services	1.8%	4.5%	4.3%	5.3%	3.3%
Education, Health Care and Social Assistance	16.7%	20.8%	18.5%	19.4%	22.3%
Entertainment, Recreation, Lodging and Food Services	2.8%	5.7%	5.4%	7.5%	7.5%
Public Administration	0.7%	4.4%	3.7%	3.1%	4.6%

SOURCE: Census 2000, U.S. Bureau of the Census.