# ACHIEVING 100 PERCENT

*"In order for Arkansas to move from a low-wage to a high-wage economy, the state needs to decrease marginal tax rates ... In order to attract (high-income) workers to Arkansas." (Murphy Commission, 1998)*

(June 2007) A group of Arkansas business and community leaders have started a project with the ambitious goal of increasing Arkansas' per capita income to the U.S. average by the year 2020. The group, known as the Arkansas Economic Acceleration Foundation, has developed a plan that can be reviewed at the following link:

http://aeac.arcapital.com/accelerate_arkansas.html

Arkansas per capita personal income was $27,935 (2006) versus $36,276 (U.S.). Arkansas income growth, as a percentage of the U.S., has been anemic n the last three decades.[1] It was 76 percent of the U.S. in 1973, and 77 percent in 2006 (U.S. Bureau of Economic Analysis). Arkansas per capita personal income would have to increase 23 percentage points in a 13-year period to equal the U.S. by 2020. An expansion of this magnitude would be significant. But a review of income data, starting in 1929, reveals high growth periods in other states, and Arkansas.

**Income Growth In World War II**

Eleven of 12 Southeast states, including Arkansas, recorded improvement in their percentage ranks during World War II (1941-1945). Five states, including Arkansas, increased by at least 10:

| | |
|---|---|
| Tennessee | 60% to 74% of the U.S. |
| Arkansas | 47% to 60% of the U.S. |
| Georgia | 58% to 71% of the U.S. |
| Alabama | 52% to 63% of the U.S. |
| Kentucky | 55% to 65% of the U.S. |

Arkansas would improve from 77 to 90 percent of the U.S. if its economy could replicate this high growth rate.

[1] "Arkansas Per Capita Income Growth Anemic Since 1971 Income Tax Hike." Policy Foundation research memo, June 2006

## Manufacturing Booms

Arkansas' per capita income improved from 59 to 71 percent of the U.S. between 1954 and 1971, a period characterized by a growth in Manufacturing jobs and income.

Michigan, Arkansas' sister state, recorded a great Manufacturing boom in the 1930s, increasing its per capita income from 93 to 119 percent of the U.S. (1933-1937). Between 1933 and 1943, the peak year for wartime production, Michigan improved from 93 to 122 percent of the U.S.

## Commodity Booms in States without an Income Tax[2]

Commodity booms in the 1970s and the last decade were an important factor in propelling growth in two western states without an income tax. Alaska's per capita income expanded from 129 to 179 percent of the U.S. (1971-1976). Wyoming's per capita income increased from 92 to 112 percent of the U.S. (1998-2006).

## Solid Growth in Southeast States

Two Southeast states recorded solid income growth between the late 1950s and the early 1970s. North Carolina, the home of Research Triangle Park, launched in 1959, expanded from 71 to 83 percent of the U.S. (1959-1973) Georgia, which features a diversified economy, grew from 74 to 86 percent of the U.S. (1960-1973).

These growth rates, if replicated in Arkansas, would improve the state's percentage rank to about 90 percent of the U.S. by 2020.

## Conclusion

An ambitious project undertaken by a group of Arkansas leaders is seeking to increase the state's per capita personal income rank to 100 percent of the U.S. by 2020. Some states have recorded high growth rates, in similar time periods, as the result of various factors (national defense, manufacturing booms, commodity booms, lack of a state income tax, investment in technology, and economic diversification).

-- Greg kaza

---

[2] Nevada, a state with similar characteristics, improved from 138 to 155 percent (1932-1939).