

Report: Less income inequality here than in New York

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The next time you get waylaid by a Northeastern snob, tell him what James Koch told hundreds of folks at a breakfast meeting in downtown Norfolk last week:

“The average person in Hampton Roads is much better off than the average person in New York City.”

Koch, a professor of economics and former president of Old Dominion University, was outlining the highlights of the fact-packed 13th annual State of the Region report. The study, released by ODU, covers such wide-ranging topics as the area’s ever-so-slow economic recovery (illustrated in the report by a photo of a turtle) and the growth in the local home-schooling movement.

Another topic: “income inequality” throughout the region. There, the report offered mixed news.

“New York has considerably more inequality than we do,” Koch, the editor of the report, said in an interview Thursday, “but, on the other hand, it is growing dramatically in our region.”

Income is more evenly distributed throughout the region than it is in New York or nationwide, the report said. “We don’t have as many lows or as many big highs,” Koch had said two days earlier at the Norfolk Waterside Marriott in a program sponsored by LEAD Hampton Roads, an initiative of the Hampton Roads Chamber of Commerce.

Like so many other economic characteristics of the region, the relative homogeneity of incomes is influenced by the heavy military presence. “We have a lot of military people who are paid reasonably well, but not exceptionally well,” Koch said Thursday.

The region has a smaller proportion of people at the lowest income levels than the nation, Richmond or New York have, according to census data cited in the report.

About 18.4 percent of Hampton Roads’ households had annual incomes below \$25,000 in 2010, compared with 19.1 percent in Richmond, 23.6 percent in the nation and 25.9 percent in New York. The contrast with New York is starker at even lower income levels: Ten percent of households in New York had incomes below \$10,000, compared with 5.6 percent locally.

On the other end of the spectrum, a smaller share of the regional population enjoyed the life of the upper crust.

Only 3.2 percent of local households received more than \$200,000 a year, compared with 4.2 percent nationwide, 4.3 percent in Richmond and 7.4 percent in New York.

Income disparities, however, are increasing throughout the region and within cities, the report said. Consider: Nearly one-quarter – 23.2 percent – of Norfolk’s households had incomes under \$10,000 in

2010. In Virginia Beach, on the other hand, almost one-third – 32.8 percent – enjoyed incomes above \$200,000.

Yet even the Beach is showing more income inequality, Koch said, with an increase in the number of low-income residents.

Forces including the recession, global competition and technological innovation have stretched wider the income spreads, not just locally but across the United States, Koch said.

From an economist's perspective, income differences have their pluses and minuses.

You don't want everyone making the same amount, Koch said Thursday. "Some degree of inequality is necessary to stimulate behavior, reward people and promote entrepreneurship."

But when the income gaps get too deep, "that has consequences for everything from taxes to social services to social cohesion," he said. Large differences can reduce productivity, instill resentment and increase violence, according to the report.

"The question that bedevils me," Koch said, "is what is the most appropriate level of income inequality."

The report provides a gaggle of statistics on average incomes, though it warns that such figures can be "deceptive" because "a small number of high incomes can push up the average income."

Among cities in South Hampton Roads, the median household income in 2010 ranged from \$42,677 in Norfolk to \$67,855 in Chesapeake. Suffolk, with its rapid development in the past decade, enjoyed the biggest increase since 2000: The city's median income jumped 58.3 percent, to \$65,104.

Old Dominion's economists also adjusted the median income of various areas to account for the cost of living. The region trounced the Big Apple even more decisively, by more than \$10,000 – \$51,571 versus \$40,576.

But using that calculation, the region fell below most other areas. The closest was the U.S. average of \$51,914. The highest was Northern Virginia's \$69,253.

A few years ago, when Koch first discovered Hampton Roads' relative affluence compared with New York, he said he tried to interest a New York Times reporter in writing about it. The reporter passed, Koch recalled, telling him: "No one will believe it."

The State of the Region report is available at tinyurl.com/93tebx3.