Florida TaxWatch

Center for a Competitive Florida

ECONOMIC COMMENTARY:
A monthly look at Florida's Economy

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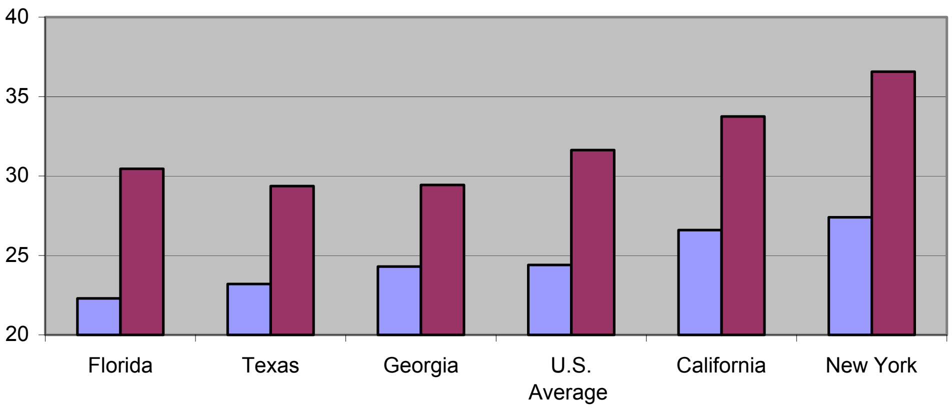
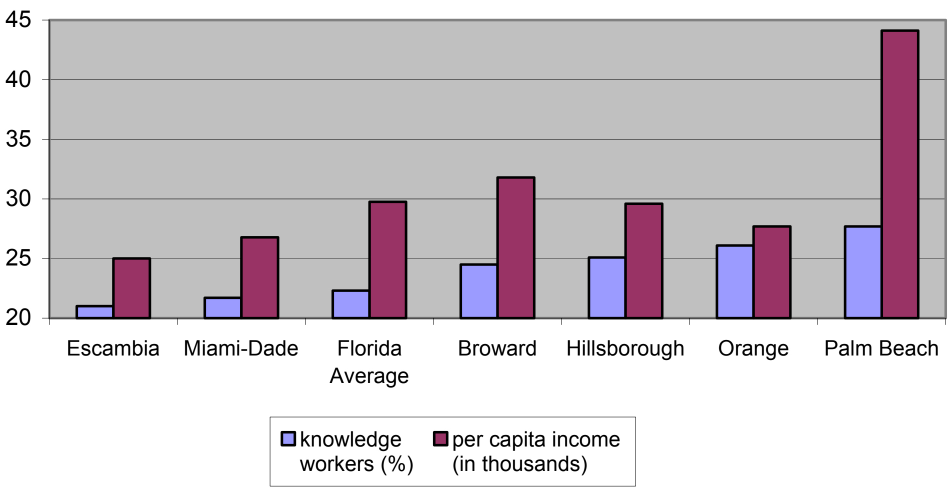
Knowledge Workers and Per Capita Income in Selected States



Knowledge Workers and Per Capita Income in Selected Florida Counties



Florida Advancing in the Knowledge Economy

Knowledge can be used by an unlimited number of people in a boundless number of wealth creating ways. It may be an exception to the "law of diminishing returns," the notion that at some point additions to a state's work force, capital investment and natural resource base yield slower rates of economic growth. On the contrary, knowledge may exhibit increasing returns, allowing states and localities the opportunity of increasing living standards virtually without limit.

Concentrations of knowledge producers, disseminators, innovators and users -- commonly referred to as clusters --- both reduce costs and reap benefits from new knowledge. These clusters are thought to be powerful engines of a state's economic development.

Clearly, knowledge is a vital determinant of economic growth in the 21st century. The extent to which it has become incorporated into wealth creating activities in recent years, owing to such things as technological progress and trade liberalization, marks a radical change from earlier times.

How does Florida's knowledge economy compare to the rest of the United States? The 2000 Census reports the percentage of each state's population age 25+ with a B.S. degree or higher. Per person income in each state, one measure of living standards, is related to the proportion of knowledge workers. It should be noted, though, that this indicator biases Florida's ranking downward because our retiree population is 50% higher than the national average.

Graph One shows that the aggregate U.S. knowledge worker population is 24.4% with a per capita income of $31,632. Florida's knowledge workers comprise 22.3% or our population and have a per capita income of $30,446. The direct relationship between knowledge and income is apparent: states with a larger proportion of knowledge workers have higher incomes per capita. If a state's proportion of knowledge workers increases by one percentage point, income per person increases about $863. Additionally, for each percentage point that a state increases its proportion of knowledge workers relative to U.S. average, its per capita income rises by roughly .66% compared to the nation's.

Graph Two shows substantial variation of knowledge workers and per capita income in selected Florida counties. Notwithstanding that people may live in one county and work in another, the relationship between knowledge workers and per capita income is nonetheless apparent. The trend line estimate implies a one percent boost in a county's proportion of knowledge workers will increase its per capita income by approximately $759. Relative to the state overall, if the proportion of knowledge workers in a county increases by 1%, its per capita income grows by .60%.

Florida's proportion of knowledge workers increased from about 19% in 1990 to more than 22% by 2000. Increasing our proportion of these workers to national norm would boost per capita income by a whopping $1,800. How can this be done? By providing an attractive environment for home-grown and transplanted knowledge workers, encouraging entrepreneurs and other organizations that employ them, developing our research capacity and wisely investing in education.

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