

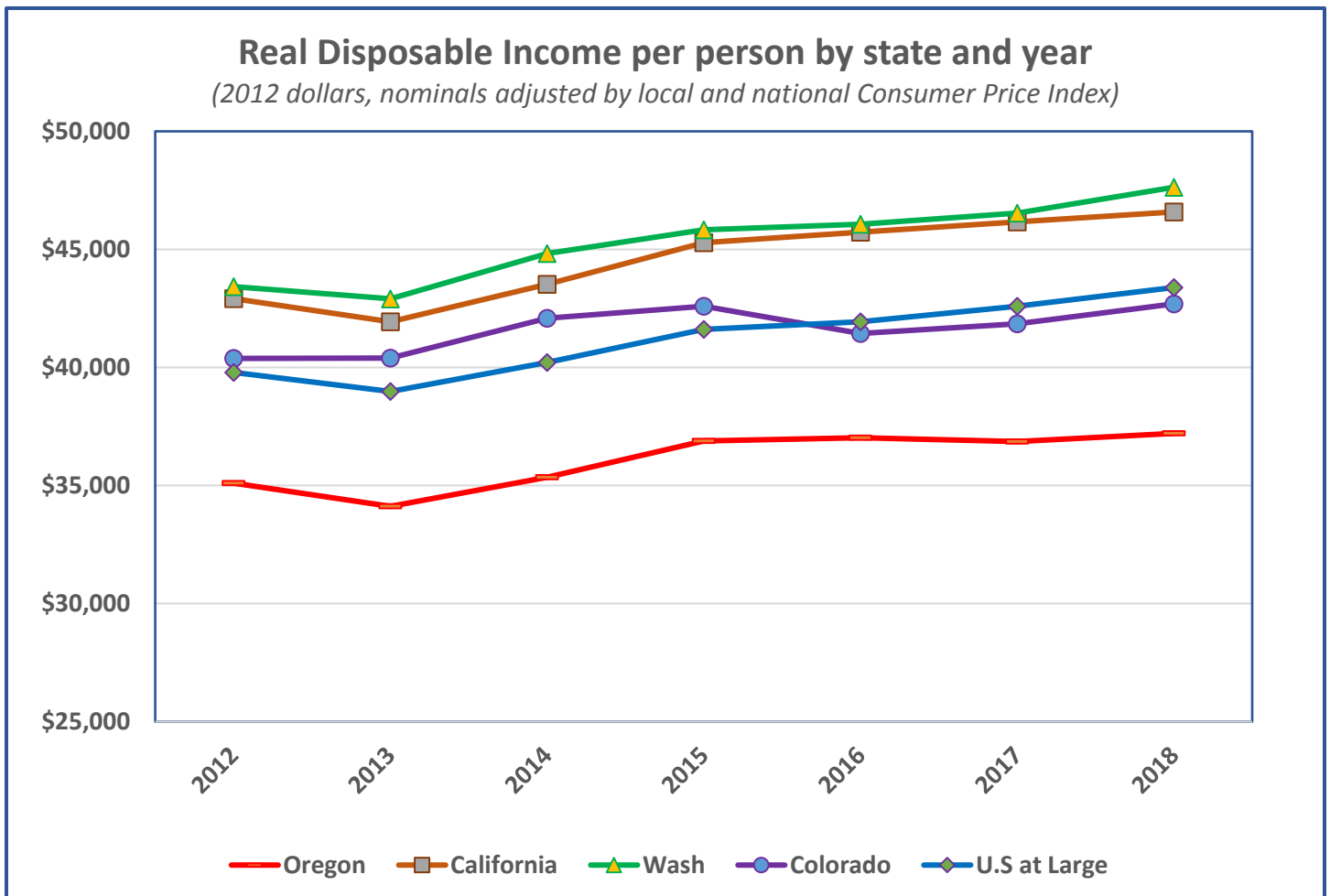
Oregon Lagging Economically

(After Tax Income adjusted for local inflation ranks Oregon below neighboring states and the U.S at large)

Bob Clark
May 1, 2019

As the Oregon legislature readies new taxes and higher regulatory costs, there is reason to be skeptical of the affordability of these new laws.

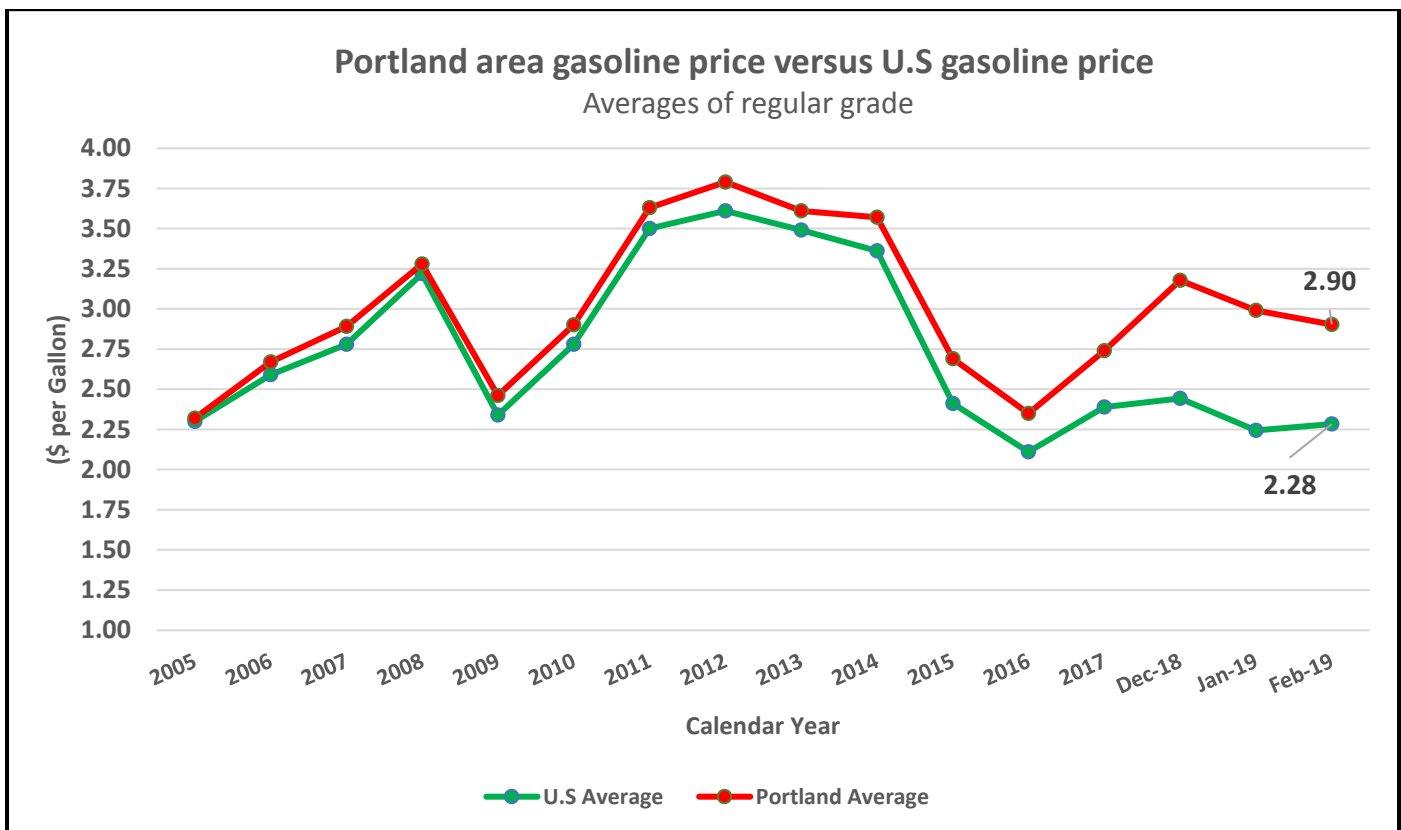
Oregon's per person disposable income (after-tax income) ranks below neighboring states and the U.S at large in rather stark terms. See the graph immediately below of Oregon against other nearby states and the U.S. at large; using per capita disposable income data adjusted for local inflation differences to that of the U.S. Nominal per capita disposable income data are from the [U.S. Bureau of Economic Analysis](#); and local and national inflation indexes are the Consumer Price indexes from the [U.S Bureau of Labor Statistics](#) for Portland-Salem (ascribed here to Oregon), Seattle-Tacoma (ascribed to Washington), Los Angeles and San Francisco (averaged and ascribed to California), Denver (ascribed to Colorado) and the U.S. Consumer Price Index (CPI, ascribed for the U.S at Large).



I construct this graph of Real Disposable Income with a start year of 2012 because 2012 is about when Oregon house prices bottom out after the Great Recession ending in 2009; but also, I have a curiosity about the California economy since Carbon Cap and Trade Program is begun in 2012. For the period of 2012 through 2018, the Portland-Salem Consumer Price Index is increasing at a rate of approximately 2.6% per year (although this index is extended here for the year 2018 from the last record of the Portland-Salem index, calendar year 2017, using the Western Region CPI). This compares with a rate of Increase in the U.S CPI of only 1.5%, Sea-Tac's 2.15%, California's 2.5%, and Denver's 2.6%.

Oregon's rate of inflation in 2017 is 4.2% versus only 2.1% nationally. As a result, the graph demonstrates ***Oregon's economic performance measured by real disposable income is largely flat since the year 2015***, as an elevated local rate of inflation eats up most of the top line nominally reported gains (although there is also some implied diminishment also caused by either increased taxation and/or decrease in transfer payments from government to individuals).

It is not just shelter costs driving the higher rates of inflation in Oregon and other western states: for example, local retail gasoline prices have opened a significant premium over national prices in recent years (Portland and national retail gasoline prices charted below). Then too, Los Angeles CPI shows electricity prices increasing nearly 2% per year since 2013 versus virtually no change at the national level. Los Angeles CPI shows natural gas utility prices increasing 3% per year since 2013 versus 1% nationally.



Source: AAA website, not updated for most recent weeks of data showing gasoline price jump.