



POLICY BRIEF

URI Standard of Living Index

Middle-Income Affluence by Metropolitan Area
4th Annual Edition

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By Wendell Cox, Senior Fellow

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SUMMARY

As a result of widely varying costs between metropolitan areas, nominal incomes (incomes that are not adjusted for cost of living in the metropolitan area) are not reliable indicators of the standards of living that they can support. A household with the same income in a high cost metropolitan area as one in a low cost metropolitan area is able to afford less in goods and services and save less.

The Urban Reform Institute (URI) has developed the URI Standard of Living Index to facilitate comparisons between metropolitan areas. The Index combines a cost of living index with median household incomes in the 107 metropolitan areas with more than 500,000 residents with median household incomes to estimate standards of living for comparison to national and those in other metropolitan areas. The URI Standard of Living Index estimates the value of the goods and services, and savings that can be afforded with the median income, or *how much their income can buy* compared to elsewhere. The URI Standard of Living Index is calculated in relation to the purchasing power of the national median household income. As such, the URI Standard of Living Index estimates the comparative affluence of metropolitan areas. The URI Standard of Living Index assumes a value of 100 for the purchasing power of the US median income household.

The highest URI Standard of Living Index is in Washington, DC-VA-MD-WV, at 138.4, indicating that the median income household can afford a Standard of Living 38.4% above that of the median income at the national level. The lowest URI Standard of Living Index is in McAllen, TX, at 80.2, indicating that the median income household can afford a standard of living 19.8% below that of the cost adjusted national median income.

The differences between ranking metropolitan areas by nominal incomes and the URI Standard of Living Index creates a metric that estimates how far income go in various metropolitan areas. For example, Cincinnati and Akron rank 36 places higher in the URI Standard of Living Index than in nominal income (out of the 107 metropolitan areas). At the other end of the scale, the Honolulu metropolitan area URI Standard of Living Index ranks 91 places lower than its nominal income rank. In the Los Angeles metropolitan area, the Standard of Living Index rank is 81 places lower than the nominal income rank while the New York metropolitan area Standard of Living Index rank is 73 places lower its nominal income.

The highest average URI Standards of Living were in the Midwest, followed by the Northeast, South and West (the four Census Regions). Among the nine Census Divisions (within the Census Regions), the highest Standard of Living is in the West North Central (Minnesota and North Dakota, south to Kansas and Nebraska). The least affluent terms are Census Division is the Pacific (California, Oregon, Washington, Hawaii and Alaska).

Higher Standards of Living were evident in larger metropolitan areas, with the exception of the largest. The “megacities,” which have more than 10 million residents, were the least affluent (New York and Los Angeles metropolitan areas).

Generally, there is net domestic migration (people moving) to the metropolitan areas with higher URI Standards of Living from those with lower standards of living.

There is also greater income equality in the metropolitan areas with higher URI Standard of Living Indexes.

These findings come at a time when there is growing concerns that middle-income standards of living are declining, both in the United States and in other high-income nations. According to the Organization for International Cooperation and Development (OECD) and analysis in this document, rising housing costs has been the principal cause.

The crisis of the COVID-19 pandemic is a stark reminder of how pivotal a strong economy is to maintaining a standard of living. The economic lockdown is producing significant distress for households, that for many is likely to last well beyond the reopening of economies. As is usual in economic declines, the greatest personal sacrifices tend to be experienced by lower-income and middle-income households. Although housing costs may tend down, the reductions in incomes could well be greater, and actually accelerate the trends identified in this report.

It is likely that the challenge of maintaining, much less improving standards of living will be more difficult in the future. This is an issue well worth advancing to the top of the public agenda.

THE URI STANDARD OF LIVING INDEX

1: Introduction

For much of post-World War II period, US middle-income households have generally enjoyed rising standards of living, as incomes have risen at a greater rate than the costs of living. However, in more recent years, the cost of living has risen at a considerably greater rate than incomes, especially in a few metropolitan areas. This has resulted in a reduction in discretionary incomes¹ available to middle-income households. A larger share of household income is required for basic necessities and consequently, the standard of living has declined --- middle-income households have become less affluent.²

Around the nation, however, the same median household income can buy much more in some metropolitan areas than others. As a result, nominal incomes (incomes that are not adjusted for cost of living in the metropolitan area) are not reliable indicators of the standards of living that they can support.

In response to this changing situation, the Urban Reform Institute (formerly the Center for Opportunity Urbanism) has developed its annual URI Standard of Living Index.³The Index combines a cost of living index with median household incomes in the 107 metropolitan areas with more than 500,000 residents with median household incomes to estimate standards of living for comparison to national and those in other metropolitan areas. The URI Standard of Living Index estimates the dollar value of the goods, services and savings that can be afforded on the median income, or *how much their income can buy* compared to elsewhere. As such, the URI Standard of Living Index is a comparative measure of affluence between metropolitan areas.⁴The metropolitan Standard of Living Indexes are expressed in relation to the national middle-income standard of living, which is assigned an index of 100.

The URI Standard of Living Index is estimated using the authoritative and latest available “Regional Price Parities” (RPPs), which are produced by the Bureau of Economic Analysis. RPPs estimate the purchasing power, or cost of living, in states and metropolitan areas. The URI Standard of Living Index also uses median household income data from the Bureau of the Census⁵ which is normalized for purchasing power, using a metropolitan area cost of living index. The methodology is described in the Appendix.⁶

The US median household income in 2018 was \$61,937. This income at the national level equates to the URI Standard of Living Index of 100 --- at national average prices, this income can pay for \$61,937 in goods, services and savings.

¹ Discretionary income is “income remaining after deduction of taxes, other mandatory charges, and expenditure on necessary items.” (see Lexico.com, https://www.lexico.com/definition/discretionary_income).

²See, for example, Eleanor Kraus and Isabel Sawhill (2018), “Seven Reasons to Worry about the American Middle-Class,” <https://www.brookings.edu/blog/social-mobility-memos/2018/06/05/seven-reasons-to-worry-about-the-american-middle-class/>

³A Standard of Living index is different from a cost of living index. A cost of living index reports prices without reference to incomes. A Standard of Living index reports the purchasing power of an income level (such as the median income of a metropolitan area), compared to the purchasing power of the national median household income at national prices. It provides an estimate of how much a household can buy compared to elsewhere

⁴ The three previous editions were released as the COU Standard of Living Index (by the Center for Opportunity Urbanism). This edition is released by the renamed Urban Reform Institute: A Center for Opportunity Urbanism. This edition develops a Standard of Living index using median household income data.

⁵ Both the Bureau of Economic Analysis and the Bureau of the Census are in the United States Department of Commerce.

⁶ The URI Standard of Living Index is based on objective financial information. It is understood that there are a number of additional factors that can define the Standard of Living based on individual preferences.

The standard of living is only one component of the quality of life. Yet it is an important component (see: Appendix: Caveats).

2: URI Standard of Living Index by Metropolitan Area

The URI Standard of Living Index is shown for the 107 metropolitan areas in Table 1 and additional related information is in Table 3 (in the Appendix).

The highest URI Standard of Living Index is in Washington, DC-VA-MD-WV, at 138.4. This indicates that the median income household can afford a Standard of Living 38.4% above that of the national median household income. The lowest URI Standard of Living Index is in McAllen, TX, at 80.2. In McAllen, the median income household can afford a Standard of Living 19.8% below that of the median income at household the national level.

Some metropolitan areas have lower nominal median household incomes, yet have higher Standard of Living Indexes than in metropolitan areas with higher nominal incomes. For example, Cincinnati, Dallas-Fort Worth, Des Moines and Fayetteville, AR-MO all have higher URI Standard of Living Indexes than San Francisco, San Jose, New York and Los Angeles, all with higher nominal incomes.

This has substantial consequences in the relative affluence of the 107 metropolitan areas.

Some metropolitan areas perform far better than their nominal incomes would suggest. For example, in Akron and Cincinnati, the URI Standard of Living Index ranking is 36 places higher than their nominal income rankings. Wichita ranks 34 places higher than would be expected from its nominal income. Five other metropolitan areas have rankings 30 or more places or more higher, including Augusta, GA-SC, Birmingham, AL, Fayetteville, AR-MO, Jackson, MS and St. Louis, MO-IL.

At the other end of the scale, Honolulu, has a URI Standard of Living Index ranked 91 places below its nominal income. Santa Rosa's ranking is 86 places lower. Similarly, lower rankings were evident in the nation's two megacities. New York at 73 and Los Angeles at 81.⁷ San Diego's URI Standard of Living Index rank is 77 places lower than that of its income. Oxnard, CA, San Francisco, CA and San Jose, CA drop 45 places or more from their nominal income ranking to their URI Standard of Living Index ranking.

Metropolitan Areas with Highest URI Standard of Living Index: Along with Washington, DC-VA-MD-WV at 138.4 (Figure 1), five other metropolitan areas have URI Standard of Living Indexes of 125 or more: Ogden, UT (#2), Raleigh, NC (#3), Minneapolis-St. Paul, MN-WI (#4), Des Moines, IA (#5), and Baltimore, MD (#6).

The Washington-Baltimore, DC-MD-VA-WV-PA combined statistical area (CSA)⁸ contains two of the ten highest Standard of Living metropolitan areas (Washington and Baltimore). The Salt Lake City, UTCSA also contains two of the ten highest Standard of Living metropolitan areas (Ogden and Provo), as well as the 13th highest (Salt Lake City).

The major metropolitan areas ((over 1,000,000 population), occupied 15 of the top 20 positions. Five metropolitan areas with between 500,000 and 1,000,000 population were in the top 20, including Ogden, Des Moines, Provo, Omaha and Albany.

⁷ URI Standard of Living Index and nominal income rankings are in Table 3.

⁸ Combined statistical areas (CSA), defined by the federal Office of Management and Budget, combine adjacent metropolitan areas into larger labor markets, using less stringent commuting criteria.

Metropolitan Areas with the Lowest Standard of Living: Along with McAllen, TX at 80.2 (Figure 2), five other metropolitan areas have a Standard of Living Index under 90, including El Paso, TX (#106), Miami, FL (#105), Los Angeles, CA (#104), Bakersfield, CA (#103) and Albuquerque, NM (#102).

The 20 lowest Standard of Living Indexes, were concentrated among the metropolitan areas with under 1,000,000 population. Eight metropolitan areas over 1,000,000 population were also in the least affluent 20, Miami, Los Angeles, New Orleans, Tucson, Tampa-St. Petersburg, Memphis, San Diego and Las Vegas.

3: URI Standard of Living Index by Region of the United States

The United States is divided into four Census Regions, which are further divided into nine Census Divisions. This section compares the average URI Standard of Living Index for metropolitan areas in the Census Regions and Divisions. Metropolitan areas in more than one Census Region or Division are classified based on the location of the historic core municipality.⁹

Census Regions: Among the nation’s Census regions (Figure 3) the highest average URI Standard of Living Index is in the metropolitan areas located in the Midwest, at 112.3. The average URI Standard of Living Index rates is 108.3 in the Northeast and 105.3 in the South. The lowest average URI Standard of Living Index is in the West, at 104.5 (Figure 4).

Census Divisions: The four Census Regions are divided into 9 Census Divisions (Figure 5). Among the Census Divisions, the highest average URI Standard of Living Index is in the metropolitan areas of the West North Central, at 119.7 (Minnesota and North Dakota, south to Kansas and Nebraska). The Mountain Division has the second highest URI Standard of Living Index, at 110.0. New England ranks third, at 109.7. The East North Central ranks fourth, at 108.9. The lowest ranking divisions were the West South Central, at 102.0 and the Pacific, at 101.0.

URI Standard of Living Index: Highest 20 METROPOLITAN AREAS OVER 500,000: 2018

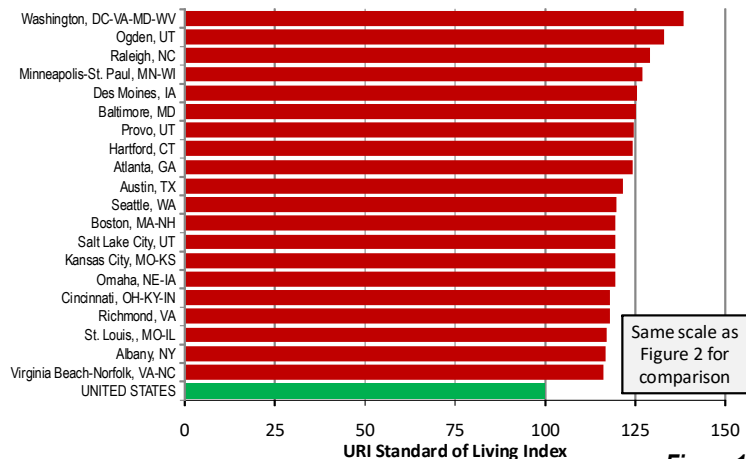


Figure 1

URI Standard of Living Index: Lowest 20 METROPOLITAN AREAS OVER 500,000: 2018

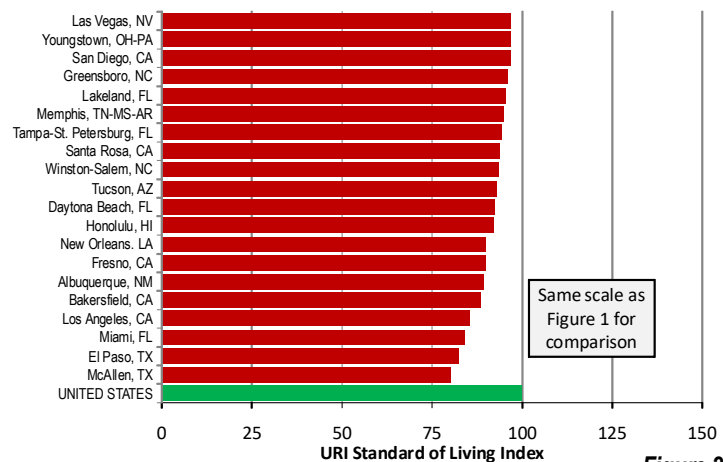


Figure 2

⁹ The first named municipality in the metropolitan area name, except in Virginia Beach-Norfolk, where the historical core municipality is Norfolk.

Table 1
 URI Standard of Living Index: 2018
 Metropolitan Areas 500,000 & Over
 United States Average Standard of Living Index = 100

Rank	Metropolitan Area	Index	Rank	Metropolitan Area	Index
1	Washington, DC-VA-MD-WV	138.4	54	Jacksonville, FL	106.1
2	Ogden, UT	132.9	56	Tulsa, OK	105.8
3	Raleigh, NC	129.0	57	Baton Rouge, LA	105.7
4	Minneapolis-St. Paul, MN-WI	126.9	57	San Francisco, CA	105.7
5	Des Moines, IA	125.3	59	Cleveland, OH	105.6
6	Baltimore, MD	125.1	60	Dayton, OH	105.3
7	Provo, UT	124.6	61	Houston, TX	105.1
8	Hartford, CT	124.3	62	Augusta, GA-SC	104.4
9	Atlanta, GA	124.1	63	Greenville, SC	104.3
10	Austin, TX	121.6	64	Chattanooga, TN-GA	104.1
11	Seattle, WA	119.9	65	Rochester, NY	103.8
12	Boston, MA-NH	119.6	66	Scranton, PA	103.5
13	Kansas City, MO-KS	119.4	67	Melbourne, FL	102.8
13	Omaha, NE-IA	119.4	67	Oxnard, CA	102.8
13	Salt Lake City, UT	119.4	67	Syracuse, NY	102.8
16	Cincinnati, OH-KY-IN	118.1	70	Columbia, SC	102.6
17	Richmond, VA	117.9	71	Knoxville, TN	102.5
18	Albany, NY	116.9	72	Stockton, CA	102.1
18	St. Louis, MO-IL	116.9	73	Sarasota, FL	101.9
20	Virginia Beach-Norfolk, VA-NC	116.1	74	Providence, RI-MA	101.7
21	Columbus, OH	116.0	75	Toledo, OH	101.6
21	Portland, OR-WA	116.0	76	New Haven CT	101.3
23	Nashville, TN	115.9	77	Spokane, WA	101.1
24	Denver, CO	115.3	78	Little Rock, AR	100.7
25	Sacramento, CA	114.8	79	Orlando, FL	100.6
26	Grand Rapids, MI	114.2	80	Modesto, CA	100.1
27	Akron, OH	114.1		UNITED STATES AVERAGE	100.0
28	Madison, WI	114.0	81	Milwaukee, WI	99.7
29	Bridgeport-Stamford, CT	113.6	82	Buffalo, NY	99.4
29	Harrisburg, PA	113.6	83	San Antonio, TX	99.2
31	Indianapolis, IN	113.4	84	Cape Coral, FL	98.7
32	Dallas-Fort Worth, TX	112.8	85	Riverside-San Bernardino, CA	98.4
33	Charleston, SC	112.5	86	Springfield, MA	98.0
33	Philadelphia, PA-NJ-DE-MD	112.5	87	New York, NY-NJ-PA	97.2
35	Colorado Springs, CO	111.7	88	Las Vegas, NV	97.1
36	Charlotte, NC-SC	111.2	89	Youngstown, OH-PA	97.0
37	Fayetteville, AR-MO	111.0	90	San Diego, CA	96.7
37	Lancaster, PA	111.0	91	Greensboro, NC	96.0
39	Allentown, PA-NJ	110.8	92	Lakeland, FL	95.3
40	Phoenix, AZ	110.3	93	Memphis, TN-MS-AR	94.8
40	Worcester, MA-CT	110.3	94	Tampa-St. Petersburg, FL	94.4
42	Wichita, KS	110.2	95	Santa Rosa, CA	93.9
43	Chicago, IL-IN-WI	109.4	96	Winston-Salem, NC	93.6
44	Oklahoma City, OK	109.2	97	Tucson, AZ	93.1
44	Pittsburgh, PA	109.2	98	Daytona Beach, FL	92.5
46	Portland, ME	109.1	99	Honolulu, HI	92.1
46	San Jose, CA	109.1	100	New Orleans, LA	90.1
48	Birmingham, AL	108.2	101	Fresno, CA	90.0
49	Louisville, KY-IN	108.0	102	Albuquerque, NM	89.5
50	Detroit, MI	107.9	103	Bakersfield, CA	88.6
51	Lexington-Fayette, KY	107.7	104	Los Angeles, CA	85.4
52	Boise, ID	107.0	105	Miami, FL	83.8
53	Jackson, MS	106.2	106	El Paso, TX	82.4
54	Durham, NC	106.1	107	McAllen, TX	80.2

The average Standard of Living in the Pacific Division is driven down strongly by California¹⁰ and Hawaii,¹¹ with their URI Standard of Living Indexes of 99.0 and 92.1, respectively. Without California and Hawaii, the balance of the Pacific Division¹² would rank third, behind the West North Central Division and nearly equal to the Mountain Division (Figure 6).

Most Affluent Metropolitan Areas by Census Region and Division

Washington, as measured by the URI Standard of Living Index is the most affluent in the South and South Atlantic Division, in addition to its national leadership. Ogden, UT is the most affluent in the West and the Mountain Division, Minneapolis-St. Paul is the most affluent in the Midwest and West North Central Division, while Hartford is the most affluent in the Northeast and the New England Division. All of the most affluent metropolitan areas by Census Region and Census Division are shown in Table 2.

Six of the Census Division leading metropolitan areas include capitals, the national capital (Washington) and five state capitals. The capitals were generally more affluent than the other metropolitan areas. The metropolitan areas with capitals have an average URI Standard of Living Index of 114.4, compared to 104.1 for the other 3=metropolitan areas.

Even the two metropolitan areas that do not have capitals are located in CSAs that also contain their state capitals (The Seattle CSA includes the state capital Olympia and Ogden is in the Salt Lake City CSA). Indeed, the 13 most affluent metropolitan areas either contain state capitals or are in CSAs that contain state capitals. The highest ranking MSA without such a state capital relationship is Kansas City, MO-KS, ranked 14th with a URI Standard of Living Index of 119.4

Higher nominal incomes were associated with the strongest high technology centers. Two of the eight Census Division leaders were among these, Austin and Seattle.

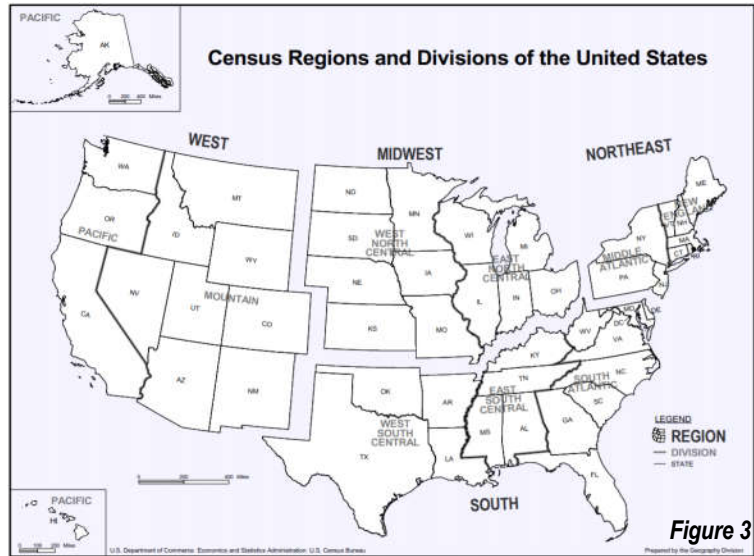


Figure 3

Standard of Living by Census Region 107 METROPOLITAN AREAS WITH 500,000+ POPULATION

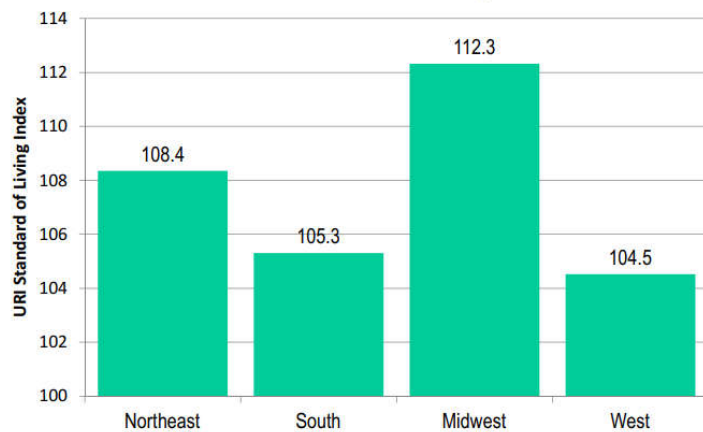


Figure 4

¹⁰ Includes Los Angeles, Riverside-San Bernardino, Sacramento, San Diego, San Francisco and San Jose metropolitan areas.

¹¹ Includes the Honolulu metropolitan area

¹² Outside California and Hawaii, the Pacific Division includes the Portland, Seattle and Spokane metropolitan areas.

4: URI Standard of Living Index by Metropolitan Area Population

A higher URI Standard of Living Index tends to be associated with larger metropolitan areas (Figure 7). The major exception is that the *largest* category of metropolitan areas has the *lowest* Standard of Living Index. This largest category is comprised of the megacities --- with populations over 10 million, New York and Los Angeles. Los Angeles is the fourth *least* affluent among the metropolitan areas. New York does better but remains still the 21st least affluent metropolitan area. The URI Standard of Living Index for these metropolitan areas was 91.3, nearly 10 percent below the national average. Metropolitan areas from 1,000,000 to 2,500,000 population averaged 110.0.

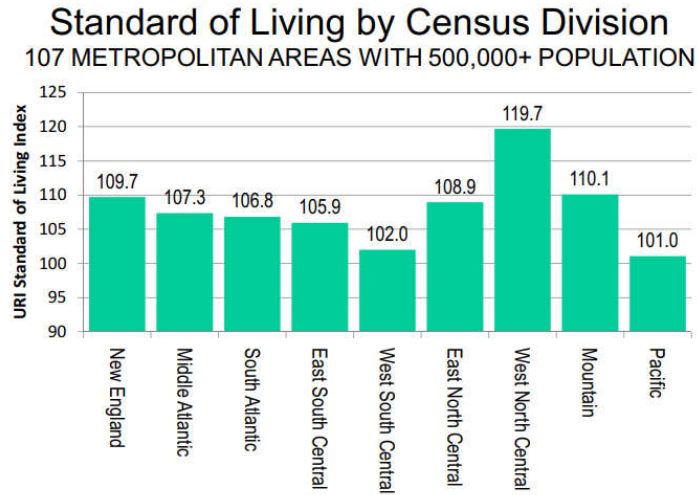


Figure 5

The highest URI Standard of Living Index is in the second largest population category, metropolitan areas with from 5,000,000 to 10,000,000 residents, at an average of 112.3. The metropolitan areas with from 2,500,000 to 5,000,000 residents had an average URI Standard of Living Index of 109.9. The metropolitan areas with from 500,000 to 1,000,000 population had a URI Standard of Living Index of 104.3.

5: Domestic Migration: Moving to More Affluent Metropolitan Areas

Some suggest that should move to more metropolitan with higher nominal incomes, suggesting for example that people from the Midwest or South would do better moving to San Francisco or New York.¹³ Yet in reality, they are moving away from these areas and more to those that cluster towards the top of the URI Standard of Living Index rankings.

Defined by our metrics, the considerable numbers of people are moving to more affluent metropolitan areas from other parts of the United States. Metropolitan areas with URI Standard of Living Indexes of 110 or more received nearly 1.9 million net domestic migrants between 2010 and 2018. By contrast, metropolitan areas with URI Standard of Living Indexes of less than 100 lost 1.4 million net domestic migrants (Figure 8). There was a transfer of migrant from metropolitan areas with “middle” URI Standard of Living Indexes

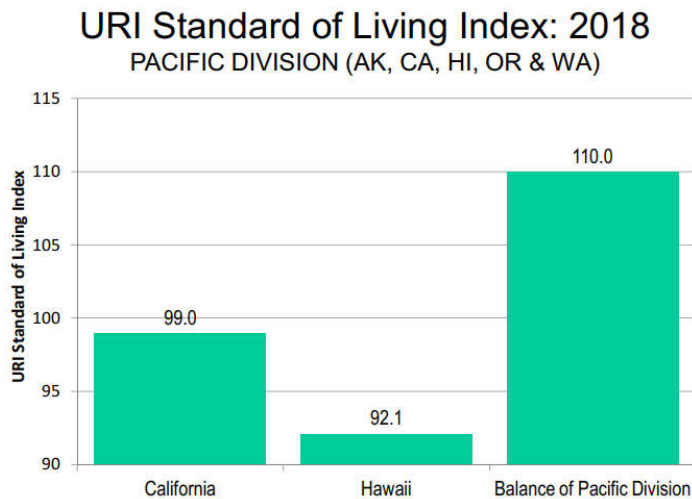


Figure 6

¹³Timothy B. Lee (2016) “The case for making San Francisco and New York much, much bigger, Vox, <https://www.vox.com/a/new-economy-future/big-cities> and <https://www.vox.com/a/new-economy-future>.

(between 100 and 109). There was net migration of 0.4 million from metropolitan areas under 500,000 population and non-metropolitan areas to the more affluent metropolitan areas (Figure 9).

Census Region	Census Division	Most Affluent Metropolitan Area
East	New England	*Hartford, CT (124.3)
	Mid-Atlantic	Albany, NY (116.9)
South	South Atlantic	*Washington, DC-VA-MD-WV (138.4)
	East South Central	Nashville, TN (115.9)
	West South Central	Austin, TX (121.6)
Midwest	East North Central	Cincinnati, OH-KY-IN (118.1)
	West North Central	*Minneapolis-St. Paul, MN-WI (126.9)
West	Mountain	*Ogden, UT (132.9)
	Pacific	Seattle, WA (119.9)

* Indicates most affluent in the Census Region

6: More Equality in More Affluent Metropolitan Areas

There is continuing, and justified, concern about an increasing concentration of wealth and income. Higher URI Standard of Living Indexes were associated with *less* inequality, as measured by the Gini Co-efficient in 2018 (Figure 10). Wealth concentration is discussed in Section 8.

7: Threat to the Middle-Income Standard of Living

There is considerable evidence of an existential threat to the middle-income standard of living, both internationally and in the United States.

International Threat to the Middle-Income Standard of Living

The Organization for Economic Cooperation and Development (OECD) recently described the international threat in a report entitled [*Under Pressure: The Squeezed Middle-Class:*](#)

The middle class used to be an aspiration. For many generations it meant the assurance of living in a comfortable house and affording a rewarding lifestyle, thanks to a stable job with career opportunities. It was also a basis from which families aspired to an even better future for their children. At the macro level, the presence of a strong and prosperous middle class supports healthy economies and societies. Through their consumption,

Standard of Living by Population: 2018
US METROPOLITAN AREAS: POPULATION 500,000 & OVER

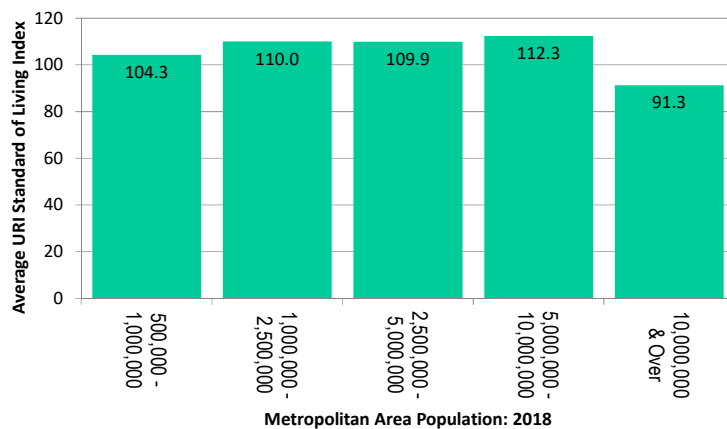


Figure 7

investment in education, health, and housing, their support for good quality public services, their intolerance of corruption, and their trust in others and in democratic institutions they are the very foundations of inclusive growth. However, there are now signs that this bedrock of our democracies and economic growth is not as stable as in the past.

OECD added: "...the current generation is one of the most educated, and yet has lower chances of achieving the same standard of living as its parents." The report further noted that households of the millennial generation are being "squeezed out of the ranks of the middle class" in advanced economies around the world.

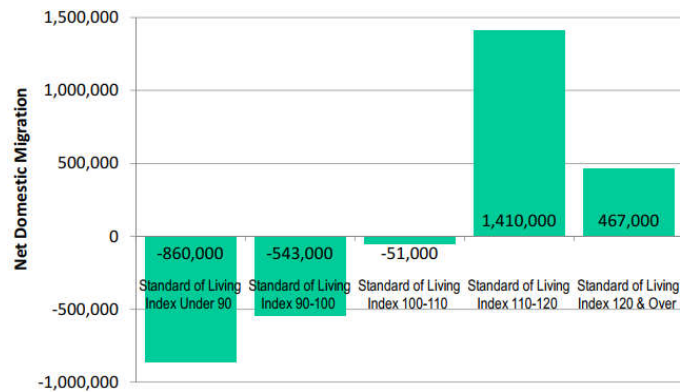
OECD emphasizes that the threat to the middle-class results from is, in large measure, the result of costs of living that have risen at rates far greater than incomes. Higher costs of living are a threat to the *middle-income lifestyle*, because they reduce the share of discretionary income and in doing so, reduce the standard of living.

According to OECD: "..., the cost of essential parts of the middle-class lifestyle have increased faster than inflation; house prices have been growing three times faster than household median income over the last two decades." Further, OECD finds that "Housing has been the main driver of rising middle-class expenditure," and that the largest housing cost increases are in the costs of ownership, rather than rents.

OECD suggests "A critical assessment of existing land-use policies" as the first step in solving the housing affordability problem.

A related concern is the widening gaps in wealth and income, such as have been identified by French economist Thomas Piketty¹⁴ and others. Matthew Rognlie of Northwestern University found that the increased inequality largely reflects an acceleration of inequality in housing wealth.¹⁵ Moreover, according to Gianni La Cava of the Bank for International Settlements¹⁶ found that the increase in

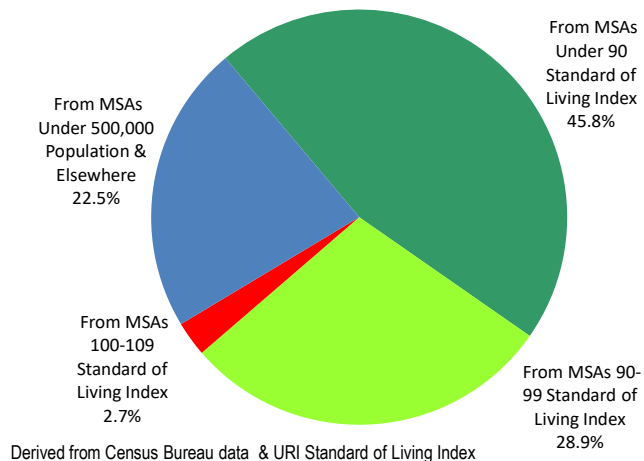
Migration & Standard of Living Index 107 METROPOLITAN AREAS OVER 500,000: 2010-2018



Derived from Census Bureau data & URI Standard of Living Index

Figure 8

Source: Migrants to Most Affluent Areas TO METROS WITH 110+ URI STANDARD OF LIVING INDEX



Derived from Census Bureau data & URI Standard of Living Index

Figure 9

¹⁴ Thomas Piketty (2014), *Capital in the 21st Century*, Belknap Press of Harvard University. <https://www.worldcat.org/title/capital-in-the-twenty-first-century/oclc/876163199>

¹⁵ See, for example Matthew Rognlie (2014). "A Note on Piketty and Diminishing Returns to Capital," <http://gabriel-zucman.eu/files/teaching/Rognlie14.pdf>.

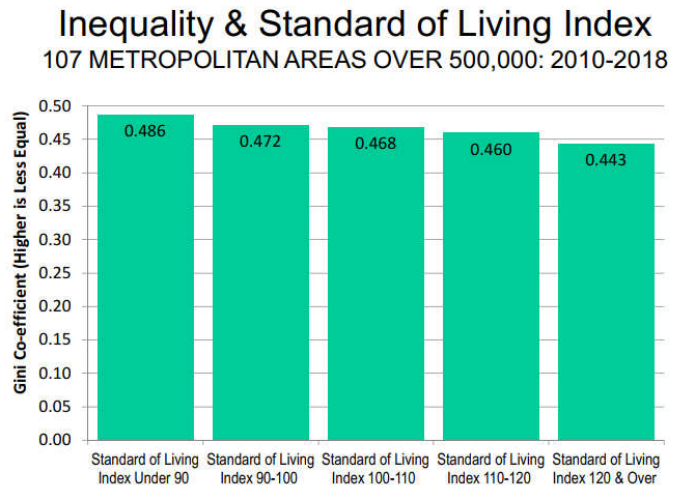
¹⁶ The "international" central bank of central banks, in Basel, Switzerland.

wealth inequality in the United States was also concentrated in housing wealth.¹⁷ Both of these research reports note the role of strengthened land use regulation in the inequality occurring from concentration of wealth in housing.

Threat to the Middle-Income Standard of Living in the United States

Housing costs are also at the core of the US standard of living crisis. The range in housing costs (owned and rented) between the 107 metropolitan areas dwarfs that of the other two costs categories (goods and services). In housing costs, the range is more than 500 percent. This compares to only 19 percent in the costs of goods and 17 percent in the costs of services (Figure 11). This indicates that the difference in the costs of living between metropolitan areas are largely driven by housing costs.

Among metropolitan areas with a URI Comprehensive Cost of Living 10 percent or more above the national average, 88 percent of the difference is due to housing costs (Figure 12).



Derived from Census Bureau data & URI Standard of Living Index

Figure 10

In the United States, housing costs have risen so much that in at least the San Jose, San Francisco, San Diego, Los Angeles and Honolulu metropolitan areas, few middle-income households can qualify for a mortgage on the median priced house.¹⁸ This is a significant turnaround from much of the post-World War II period, during which most middle-income houses could afford the median priced house in virtually all metropolitan areas.¹⁹ To qualify, home buyers would need an income 14 percent above the upper-income floor, while in Honolulu, they would need income 8 percent higher.²⁰ In San Francisco, Los Angeles and San Diego, qualifying incomes range from 89 percent to 98 percent of the upper-income floor, disqualifying nearly all middle-income buyers.

Research on Housing Affordability and Land Use Regulation

There is a considerable body of research that associates the disproportionately great house price increases in some metropolitan areas with the more stringent land use regulations that have been adopted by state and local governments.²¹ The 2020 *Economic Report of the President and Annual Report of the Council of Economic Advisors* concludes “excessive regulations have driven house prices up more than 150 percent in the San Francisco and

¹⁷ Gianni La Cava (2016), “Piketty’s rising share of capital income and the US housing market,”

<https://voxeu.org/article/piketty-s-housing-capital-results-new-us-facts>.

¹⁸ Wendell Cox and Hugh Pavletich (2018), *16th Annual Demographia International Housing Affordability Survey*, <http://www.demographia.com/dhi.pdf>.

¹⁹ Ibid.

²⁰ Upper income is defined as the top quintile of household income.

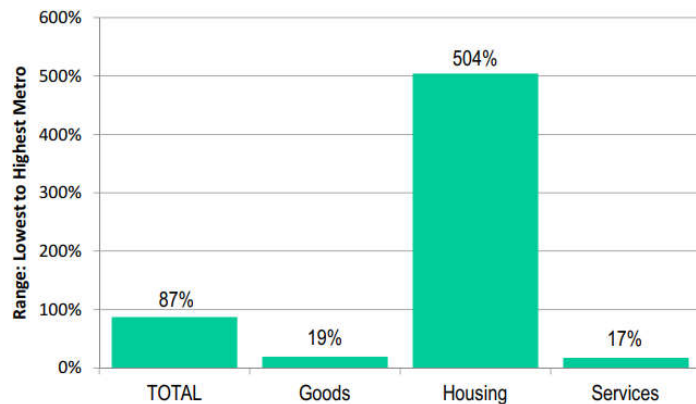
²¹ See, for example; *Economic Report of the President and Annual Report of the Council of Economic Advisors* (CEA), 2020, <https://www.whitehouse.gov/wp-content/uploads/2020/02/2020-Economic-Report-of-the-President-WHCEA.pdf>, Edward, and Joseph Gyourko. 2018. "The Economic Implications of Housing Supply." *Journal of Economic Perspectives*, Wendell Cox (2015), *A Question of Values: Middle-Income Housing Affordability and Urban Containment Policy*. Frontier Centre for Public Policy, https://www.fcpc.org/a_question_of_values.

Honolulu metropolitan areas and more than 100 percent in the Los Angeles and San Diego metropolitan areas.²²

The Threat to Renters: Generally Greater

On a personal level, the financial implications of housing costs that rise faster than incomes are even more severe for renters, who generally have lower incomes and more of whom are in poverty.²³ Approximately one-half of renters in the United States have housing expenses that consume 30 percent or more of their incomes, more than double the rate of home owners.²⁴

Cost of Living: Range by Category: 2018
107 METROPOLITAN AREAS OVER 500,000



Based on URI Composite Cost of Living Index

Figure 11

Households spending 30 percent or more of their income on housing are considered “housing-cost burdened,” which equates to eligibility for most rental assistance²⁵ and other subsidized affordable housing programs. Yet, more than 75 percent of renters who qualify for and need housing assistance are unserved, according to Urban Institute research. Typically housing-cost-burdened households can be placed on waiting lists for years, and waiting lists are often closed to new recipients.²⁶

By virtue of the 30 percent income to housing cost standard, affordable housing eligibility is linked to *market rate* housing costs. As housing costs in the market (both owned and rental) in relation to incomes, so also does the cost of affordable housing. As housing affordability in the market deteriorates, more households become eligible for affordable housing because more cross the 30 percent threshold.

Analysis by the Harvard University Joint Center for Housing indicates that the share of such households spending 30 percent or more on housing costs increased more than six percent between 2001 and 2017,²⁷ at the same time housing costs (owning and renting) were rising faster than incomes.²⁸ This is a 2.4 million increase²⁹ in cost burdened households, or as many households living in Wisconsin in the same year.

²²*Economic Report of the President and Annual Report of the Council of Economic Advisors (CEA)*, 2020, <https://www.whitehouse.gov/wp-content/uploads/2020/02/2020-Economic-Report-of-the-President-WHCEA.pdf>

²³ According to the 2018 American Community Survey, renter incomes were 48 percent below home owner incomes. The average renter household size, at 2.48 persons, was less than 10 percent below that of homeowners.

²⁴ American Community Survey, 2018.

²⁵ See: Mary Schwartz and Ellen Wilson, “Who Can Afford To Live in a Home?: A look at data from the 2006 American Community Survey,” US Census Bureau, <https://www.census.gov/housing/census/publications/who-can-afford.pdf>.

²⁶ G. Thomas Kingsley (October 2017), “Trends in Housing Problems and Federal Housing Assistance,” Urban Institute, <https://www.urban.org/sites/default/files/publication/94146/trends-in-housing-problems-and-federal-housing-assistance.pdf>

²⁷ Derived from Sean Veal and Jonathan Spader (December 7, 2018), “Nearly a third of American households were cost-burdened last year,” *Housing Perspectives*, Joint Center for Housing Studies of Harvard University, <https://www.jchs.harvard.edu/blog/more-than-a-third-of-american-households-were-cost-burdened-last-year/>.

²⁸ HUD PD&R (September 2017), *National Housing Market Summary*, 2nd Quarter 2017, https://www.huduser.gov/portal/sites/default/files/pdf/NationalSummary_2Q17.pdf.

²⁹ Calculated based on 2017 population.

As housing costs rise ahead of incomes, costs to government can increase in three ways: (1) from the increase in recipients (2) from the higher cost of building affordable housing, and (3) from the higher subsidies required for existing recipients. Of course, as noted above, the demand for affordable housing is not been remotely met, as governments have not provided sufficient resources.

8: Conclusion: Restoring, Maintaining and Improving the Standard of Living

One of the principal advances of the past two centuries has been the drastic reduction in poverty and the rise of a large middle-class, as has been shown by economists Diedre McClosky,³⁰ Robert Gordon³¹ and others. The importance of a growing and expanding economy to these fundamental objectives is often overlooked.

The crisis of the COVID-19 pandemic is a stark reminder of how pivotal a strong economy is to maintaining a standard of living. The economic lockdown is producing significant distress for households, that for many is likely to last well beyond the reopening of economies. As is usual in economic declines, the greatest personal sacrifices tend to be experienced by lower-income and middle-income households.

It is likely that the challenge of maintaining, much less improving, standards of living will be more difficult in the future. This issue should now, more than ever, advance to the top of the public agenda.

Housing Share of Excess Costs of Living
MOST EXPENSIVE UNITED STATES MARKETS: 2018

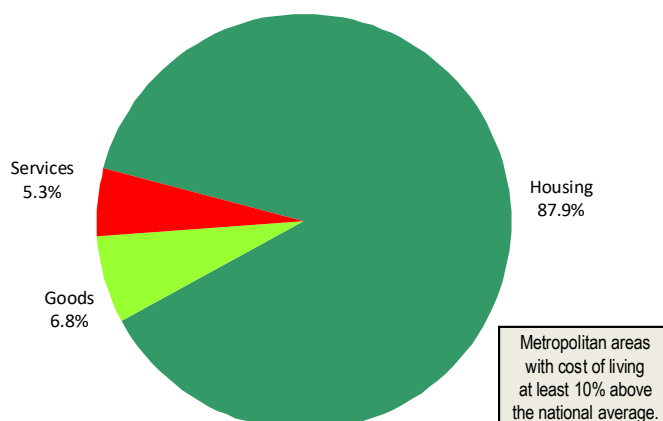


Figure 12

³⁰Deirdre N McCloskey (2016), *Bourgeois equality: How ideas, not capital or institutions, enriched the world*, University of Chicago Press.

³¹ Robert J. Gordon (2017), *The rise and fall of American growth: The US standard of living since the civil war*, Princeton University Press.

Appendix

Table 3
URI Standard of Living Index: 2018

Metropolitan Areas 500,000 & Over

United States Average Standard of Living Index = 100

Metropolitan Area	URI Standard of Living		URI Comprehensive Cost of Living		Median Household Income: Cost of Living Adj.		Median Household Income: Nominal		2018 Population (000s)		Domestic Migration % from 2010	
	Index	Rank	Index	Rank	Living Adj.		Nominal	Rank	Rank	Rank	Rank	
Akron, OH	114.1	27	85.0	90	\$70,649		\$60,019	63	705	82	-2.06%	77
Albany, NY	116.9	19	98.5	33	\$72,384		\$71,301	25	883	63	-1.53%	69
Albuquerque, NM	89.5	102	92.3	57	\$55,424		\$51,134	100	916	60	-1.04%	66
Allentown, PA-NJ	110.8	39	96.0	40	\$68,645		\$65,929	38	843	69	-0.60%	63
Atlanta, GA	124.1	9	90.4	69	\$76,880		\$69,464	31	5,950	9	4.05%	31
Augusta, GA-SC	104.4	62	81.5	105	\$64,691		\$52,696	93	604	92	2.81%	35
Austin, TX	121.6	10	102.2	24	\$75,296		\$76,925	16	2,168	30	14.66%	3
Bakersfield, CA	88.6	103	94.0	48	\$54,866		\$51,579	97	897	62	-2.41%	82
Baltimore, MD	125.1	6	103.8	19	\$77,502		\$80,469	10	2,803	21	-1.73%	73
Baton Rouge, LA	105.7	57	88.3	77	\$65,484		\$57,843	71	831	71	-1.64%	70
Birmingham, AL	108.2	48	84.2	99	\$67,000		\$56,409	78	1,152	49	-0.59%	62
Boise, ID	107.0	52	92.7	56	\$66,249		\$61,407	55	730	80	11.71%	7
Boston, MA-NH	119.6	12	119.8	10	\$74,058		\$88,711	5	4,875	10	-1.71%	71
Bridgeport-Stamford, CT	113.6	29	129.4	9	\$70,391		\$91,079	4	944	58	-4.52%	98
Buffalo, NY	99.4	82	91.3	64	\$61,569		\$56,195	81	1,130	50	-2.44%	83
Cape Coral, FL	98.7	84	91.9	61	\$61,103		\$56,129	82	755	76	17.97%	1
Charleston, SC	112.5	33	92.2	58	\$69,687		\$64,283	46	788	74	12.43%	5
Charlotte, NC-SC	111.2	36	90.1	71	\$68,885		\$62,068	54	2,569	23	9.21%	11
Chattanooga, TN-GA	104.1	64	84.9	92	\$64,491		\$54,732	88	561	99	4.25%	30
Chicago, IL-IN-WI	109.4	43	104.5	18	\$67,743		\$70,760	27	9,499	3	-5.97%	104
Cincinnati, OH-KY-IN	118.1	16	85.8	86	\$73,140		\$62,743	52	2,190	29	-0.98%	65
Cleveland, OH	105.6	59	86.0	83	\$65,375		\$56,203	80	2,057	33	-3.45%	92
Colorado Springs, CO	111.7	35	97.5	36	\$69,176		\$67,430	35	739	79	6.06%	23
Columbia, SC	102.6	70	84.6	94	\$63,553		\$53,765	90	833	70	3.92%	32
Columbus, OH	116.0	22	89.2	75	\$71,828		\$64,052	49	2,107	32	2.61%	41
Dallas-Fort Worth, TX	112.8	32	99.4	32	\$69,874		\$69,445	32	7,540	4	6.40%	21
Dayton, OH	105.3	60	84.2	98	\$65,224		\$54,942	86	807	73	-2.03%	75
Daytona Beach, FL	92.5	98	89.7	72	\$57,261		\$51,364	98	660	85	12.80%	4
Denver, CO	115.3	24	111.3	13	\$71,438		\$79,478	12	2,932	19	7.18%	19
Des Moines, IA	125.3	5	91.9	60	\$77,627		\$71,352	24	655	87	6.41%	20
Detroit, MI	107.9	50	90.6	68	\$66,824		\$60,513	59	4,326	14	-3.63%	93
Durham, NC	106.1	54	94.5	43	\$65,712		\$62,114	53	575	96	5.42%	24
El Paso, TX	82.4	106	85.9	84	\$51,047		\$43,862	106	846	68	-6.17%	105
Fayetteville, AR-MO	111.0	38	84.3	97	\$68,724		\$57,911	68	549	102	9.47%	10
Fresno, CA	90.0	101	94.4	44	\$55,722		\$52,629	94	994	54	-2.27%	81
Grand Rapids, MI	114.2	26	89.5	74	\$70,749		\$63,344	50	1,069	52	1.44%	50

Greensboro, NC	96.0	91	84.1	100	\$59,465	\$50,026	103	768	75	1.95%	47
Greenville, SC	104.3	63	86.4	82	\$64,602	\$55,790	83	907	61	6.20%	22
Harrisburg, PA	113.6	30	91.3	65	\$70,365	\$64,213	47	575	96	0.11%	59
Hartford, CT	124.3	8	100.3	29	\$77,011	\$77,258	15	1,206	48	-5.04%	100
Honolulu, HI	92.1	99	148.0	3	\$57,055	\$84,423	8	980	56	-6.47%	106
Houston, TX	105.1	61	100.5	28	\$65,075	\$65,394	43	6,997	5	4.43%	29
Indianapolis, IN	113.4	31	86.9	80	\$70,258	\$61,022	56	2,049	34	2.03%	46
Jackson, MS	106.2	53	84.6	93	\$65,807	\$55,700	84	580	95	-2.03%	76
Jacksonville, FL	106.1	55	91.7	63	\$65,709	\$60,238	61	1,535	40	7.93%	16
Kansas City, MO-KS	119.4	14	89.0	76	\$73,925	\$65,768	40	2,144	31	1.09%	51
Knoxville, TN	102.5	71	84.3	96	\$63,461	\$53,523	91	883	63	4.60%	27
Lakeland, FL	95.3	92	87.5	79	\$59,022	\$51,670	96	708	81	12.04%	6
Lancaster, PA	111.0	37	96.4	39	\$68,757	\$66,277	36	544	103	-0.82%	64
Las Vegas, NV	97.1	88	94.9	42	\$60,125	\$57,076	75	2,232	28	7.90%	17
Lexington-Fayette, KY	107.7	51	85.1	88	\$66,704	\$56,784	77	517	106	2.48%	43
Little Rock, AR	100.7	78	83.5	102	\$62,379	\$52,102	95	741	78	0.98%	53
Los Angeles, CA	85.4	104	137.2	5	\$52,906	\$72,563	23	13,291	2	-4.83%	99
Louisville, KY-IN	108.0	49	85.8	85	\$66,870	\$57,405	73	1,297	45	0.90%	54
Madison, WI	114.0	28	99.8	30	\$70,618	\$70,463	29	660	85	2.38%	44
McAllen, TX	80.2	107	78.9	107	\$49,646	\$39,165	107	866	65	-2.59%	85
Melbourne, FL	102.8	69	90.9	67	\$63,671	\$57,888	69	597	94	10.36%	9
Memphis, TN-MS-AR	94.8	93	85.7	87	\$58,737	\$50,338	101	1,351	43	-3.36%	89
Miami, FL	83.8	105	108.5	14	\$51,916	\$56,328	79	6,199	7	-2.16%	79
Milwaukee, WI	99.7	81	98.2	34	\$61,723	\$60,643	58	1,576	39	-3.81%	94
Minneapolis-St. Paul, MN-WI	126.9	4	101.3	27	\$78,583	\$79,578	11	3,629	16	0.23%	58
Modesto, CA	100.1	80	97.3	37	\$61,988	\$60,321	60	550	101	-0.02%	60
Nashville, TN	115.9	23	91.8	62	\$71,801	\$65,919	39	1,931	36	8.57%	14
New Haven CT	101.3	76	108.2	15	\$62,717	\$67,845	33	858	66	-5.15%	101
New Orleans, LA	90.1	100	90.1	70	\$55,814	\$50,301	102	1,270	46	1.62%	48
New York, NY-NJ-PA	97.2	87	130.4	8	\$60,191	\$78,478	14	19,979	1	-6.52%	107
Ogden, UT	132.9	2	93.1	53	\$82,327	\$76,653	17	675	83	2.59%	42
Oklahoma City, OK	109.2	45	85.0	89	\$67,625	\$57,485	72	1,396	41	4.56%	28
Omaha, NE-IA	119.4	15	89.6	73	\$73,924	\$66,241	37	942	59	0.76%	56
Orlando, FL	100.6	79	94.1	47	\$62,284	\$58,610	66	2,573	22	8.10%	15
Oxnard, CA	102.8	68	132.8	6	\$63,674	\$84,566	7	851	67	-2.53%	84
Philadelphia, PA-NJ-DE-MD	112.5	34	101.6	25	\$69,662	\$70,747	28	6,096	8	-2.69%	86
Phoenix, AZ	110.3	40	94.3	45	\$68,340	\$64,427	45	4,858	11	7.79%	18
Pittsburgh, PA	109.2	44	88.2	78	\$67,661	\$59,710	64	2,325	27	-1.24%	67
Portland, ME	109.1	47	103.6	21	\$67,563	\$69,980	30	535	105	2.74%	38
Portland, OR-WA	116.0	21	105.2	17	\$71,847	\$75,599	18	2,479	25	5.05%	25
Providence, RI-MA	101.7	74	103.3	22	\$63,007	\$65,083	44	1,621	38	-2.20%	80
Provo, UT	124.6	7	97.6	35	\$77,163	\$75,344	19	634	90	3.68%	34
Raleigh, NC	129.0	3	94.1	46	\$79,868	\$75,165	20	1,363	42	11.29%	8
Richmond, VA	117.9	17	92.7	55	\$73,013	\$67,703	34	1,306	44	2.79%	36
Riverside-San Bernardino, CA	98.4	85	107.7	16	\$60,953	\$65,671	41	4,622	13	2.34%	45
Rochester, NY	103.8	65	93.6	50	\$64,310	\$60,190	62	1,071	51	-4.04%	95
Sacramento, CA	114.8	25	102.9	23	\$71,084	\$73,142	22	2,345	26	2.78%	37

Salt Lake City, UT	119.4	13	99.7	31	\$73,982	\$73,730	21	1,223	47	0.48%	57
San Antonio, TX	99.2	83	93.4	52	\$61,428	\$57,379	74	2,518	24	8.95%	12
San Diego, CA	96.7	90	132.0	7	\$59,923	\$79,079	13	3,343	17	-1.51%	68
San Francisco, CA	105.7	58	164.9	2	\$65,444	\$107,898	2	4,729	12	-0.12%	61
San Jose, CA	109.1	46	184.5	1	\$67,601	\$124,696	1	1,999	35	-5.26%	102
Santa Rosa, CA	93.9	95	139.9	4	\$58,178	\$81,395	9	500	107	0.79%	55
Sarasota, FL	101.9	73	96.5	38	\$63,138	\$60,921	57	822	72	17.59%	2
Scranton, PA	103.5	66	84.4	95	\$64,086	\$54,115	89	555	100	-1.74%	74
Seattle, WA	119.9	11	118.4	12	\$74,236	\$87,910	6	3,939	15	3.85%	33
Spokane, WA	101.1	77	93.5	51	\$62,642	\$58,546	67	573	98	5.01%	26
Springfield, MA	98.0	86	95.3	41	\$60,699	\$57,857	70	632	91	-4.06%	96
St. Louis,, MO-IL	116.9	18	86.7	81	\$72,420	\$62,790	51	2,805	20	-2.78%	87
Stockton, CA	102.1	72	101.4	26	\$63,218	\$64,119	48	753	77	2.61%	40
Syracuse, NY	102.8	67	92.2	59	\$63,684	\$58,715	65	651	88	-5.34%	103
Tampa-St. Petersburg, FL	94.4	94	93.9	49	\$58,456	\$54,912	87	3,143	18	8.68%	13
Toledo, OH	101.6	75	81.6	104	\$62,913	\$51,321	99	603	93	-4.26%	97
Tucson, AZ	93.1	97	92.8	54	\$57,642	\$53,464	92	1,039	53	1.57%	49
Tulsa, OK	105.8	56	84.9	91	\$65,537	\$55,633	85	994	54	1.08%	52
Virginia Beach-Norfolk, VA-NC	116.1	20	91.3	66	\$71,891	\$65,604	42	1,729	37	-3.41%	91
Washington, DC-VA-MD-WV	138.4	1	119.2	11	\$85,695	\$102,180	3	6,250	6	-1.72%	72
Wichita, KS	110.2	42	83.4	103	\$68,262	\$56,909	76	645	89	-3.41%	90
Winston-Salem, NC	93.6	96	84.0	101	\$57,970	\$48,699	104	671	84	2.71%	39
Worcester, MA-CT	110.3	41	103.7	20	\$68,308	\$70,869	26	948	57	-2.10%	78
Youngstown, OH-PA	97.0	89	79.1	106	\$60,053	\$47,476	105	539	104	-3.28%	88

Methodology

The URI Standard of Living Index is intended to quantify purchasing power differences between metropolitan areas for new entrants to the market, including those setting up households and those moving from elsewhere, as well as purchasers of residences.

The URI Standard of Living Index for 2018 uses US Department of Commerce Bureau of Economic Analysis (BEA) Regional Price Parities (RPPs), which estimates the purchasing power for states and metropolitan areas across the nation (cost of living).

The URI Standard of Living Index is computed for the 107 metropolitan areas with populations of 500,000 or greater. The RPP's classify household costs into three categories, "goods," "rents" and "services other than rents."

A URI Comprehensive Cost of Living Index is developed for each metropolitan area. The result is the same as the BEA RPP for each metropolitan area, except in the treatment of housing costs (called rents in the BEA RPPs). The housing component is adjusted as follows.

(b) Cost of living for home buyers: The cost of living for current (2018) home buyers is estimated by including ownership costs for the cost of renting, using American Community Survey data. It is assumed that the current home purchase involves an average priced house, with a down payment of 10 percent, financed by a 30-year fixed rate mortgage at 4.54 percent¹ interest with mortgage insurance. Other current home purchase costs such as insurance, real estate taxes and homeowner association or condominium fees are from the American Community Survey.

(c) The cost of living for renters (BEA RPPs and the cost of living for home buyers combined to comprise the housing cost component. They are weighted based on the national tenure distribution of 63.9 percent homeowners and 36.1 percent renters,² to estimate the URI Composite Cost of Living Index.

Median household income is derived from the Census Bureau's American Community Survey. Data is for the most recent year available (2018).

A cost of living (purchasing power) adjusted median household income is developed for each metropolitan area by dividing its nominal median household income by its URI Comprehensive Cost of Living Index.

The URI Standard of Living Index is calculated by dividing the cost of living adjusted median household income by the national median household income.

Caveats

Effect of Incomplete Tax Payment Reporting: Two major expenditure items are not included in the source data, federal income taxes and state (including local) income taxes, where they exist. The result is that, generally, the URI Standard of Living Index will be *lower* in metropolitan areas with higher nominal incomes, due to the progressive nature of the Federal Income Tax. In addition, where are state or local income taxes, and especially where such taxes are progressive, the URI Standard of Living Index is likely to be *lower*. This state and local income tax effect would not be evident in metropolitan areas without state or local income

¹ 2018 annual rate from *30-Year Fixed-Rate Mortgages Since 1971*, Freddie Mac, <http://www.freddiemac.com/pmms/pmms30.html>.

² Calculated from the American Community Survey, 2017.

taxes. In contrast, property tax payments are reported by the American Community Survey and included in the URI Comprehensive Cost of Living Index.

The Standard of Living and the Quality of Life: The standard of living and the quality of life are not the same: The standard of living is appropriately estimated and compared by objective measures of income and costs. Moreover, measuring the cost of living is less than an exact science. Yet, there are substantial differences in the cost of living between metropolitan areas in the United States. For example, some factors (such as house size) are usually not included and the goods and services comprising the a cost of living index can vary.

The standard of living is an important component of the quality of life, which is less susceptible to objective measurement. People's preferences vary substantially, and include additional factors such as family, climate, economic preferences and others that may be beyond the scope of objective measurement. Nonetheless, most people generally seek achieve greater affluence and avoid poverty. The standard of living is an important part of the quality of life.