

# Maine Issue Brief

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## Maine's Dwindling Private Sector Economy

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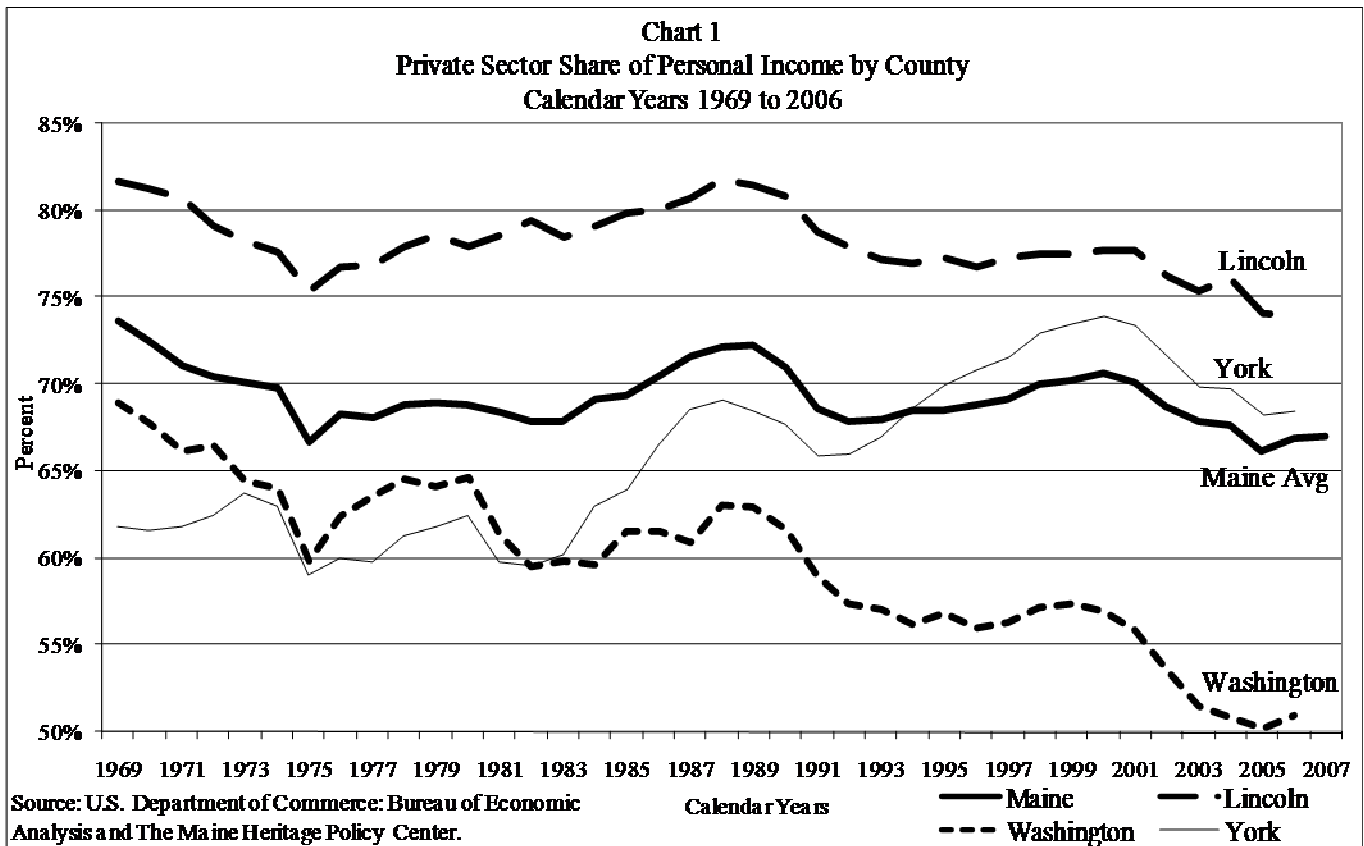
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Personal income is an important economic measure of a state's well-being. Higher levels of personal income mean that a state's residents are able to buy more goods and services such as homes, cars, education and health care. Fundamentally, personal income comes from two sources: the *private* sector and the *public* sector. The distinction between these two sectors is important because only the private sector creates new income. The public sector can only redistribute income through taxes and spending.

In 2007, Maine's private sector share of personal income was 67 percent and ranked as the 9th smallest in the country.[1] However, the size of the private sector varies greatly by county. As shown in Chart 1 and Table 1, the county with the largest private sector in 2006 (the latest data available), was Lincoln county at 74 percent. At the other end of the spectrum, Washington and Kennebec counties had the smallest private sector shares at just 51 percent and 52.6 percent, respectively. Barely more than half of the income in these two counties comes from private sources!

Between 1969 and 2006, almost all of Maine's counties saw their private sector shrink. The only exception was York county which grew to 68.4 percent in 2006 from 61.9 percent in 1969. This change is attributable to a decrease in Federal civilian and military compensation due to the closure of Pease Air Force Base across the border in New Hampshire.

Chart 2 illustrates why Maine's policymakers should be very concerned by illustrating the positive correlation between per capita personal income and private sector share of personal income. In other words, the bigger the private sector share the bigger



the per capita personal income. This should be no surprise since the private sector is the proverbial “goose that lays the golden egg.”

States with larger private sectors grow faster over time than states with smaller private sectors. The state with largest private sector share (Connecticut, 79.3 percent) has a per capita personal income of \$54,117 versus the state with the smallest private sector share (West Virginia, 59.1 percent) has a per capita personal income of \$29,537—an income gap of 83 percent.

**Notes and Source:**

[1] For more information on the definition of “private sector share of personal income” see: <http://www.maineconomy.org/library/resources/97.pdf>

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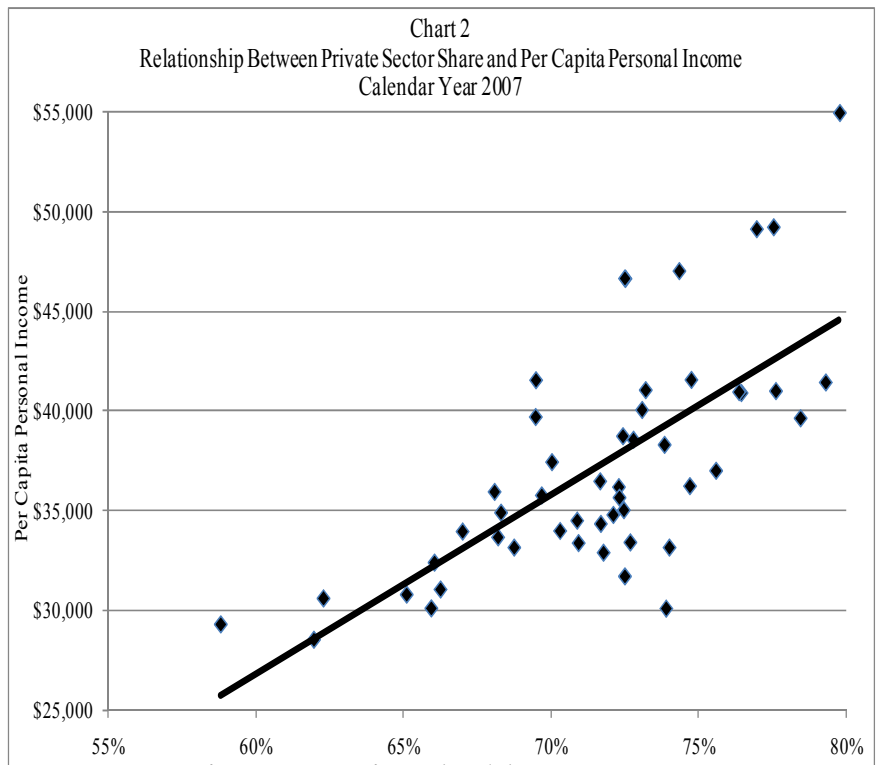
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|              | 1970  | Rank | 1980  | Rank | 1990  | Rank | 2000  | Rank | 2006  | Rank |
|--------------|-------|------|-------|------|-------|------|-------|------|-------|------|
| Maine        | 72.5% | --   | 68.8% | --   | 71.0% | --   | 70.6% | --   | 66.9% | --   |
| Androscoggin | 81.0% | 2    | 77.0% | 2    | 76.4% | 4    | 72.4% | 8    | 69.3% | 7    |
| Aroostook    | 61.9% | 15   | 58.1% | 16   | 58.1% | 16   | 59.6% | 14   | 53.3% | 14   |
| Cumberland   | 76.4% | 6    | 71.2% | 10   | 76.0% | 5    | 75.5% | 3    | 73.5% | 2    |
| Franklin     | 79.0% | 3    | 76.5% | 3    | 72.8% | 8    | 67.6% | 11   | 62.2% | 11   |
| Hancock      | 76.2% | 8    | 72.2% | 6    | 76.7% | 3    | 75.7% | 2    | 71.8% | 3    |
| Kennebec     | 66.7% | 14   | 60.6% | 15   | 61.3% | 15   | 59.0% | 15   | 52.6% | 15   |
| Knox         | 75.6% | 9    | 71.7% | 8    | 75.7% | 6    | 74.5% | 5    | 71.7% | 4    |
| Lincoln      | 81.3% | 1    | 77.9% | 1    | 80.8% | 1    | 77.7% | 1    | 74.0% | 1    |
| Oxford       | 78.3% | 5    | 75.9% | 5    | 71.8% | 10   | 68.6% | 9    | 62.9% | 9    |
| Penobscot    | 72.6% | 12   | 69.0% | 12   | 67.8% | 12   | 65.3% | 12   | 61.6% | 12   |
| Piscataquis  | 74.1% | 10   | 75.9% | 4    | 69.3% | 11   | 64.1% | 13   | 59.0% | 13   |
| Sagadahoc    | 72.9% | 11   | 71.8% | 7    | 79.5% | 2    | 75.4% | 4    | 71.5% | 5    |
| Somerset     | 76.2% | 7    | 70.6% | 11   | 72.2% | 9    | 68.6% | 10   | 62.5% | 10   |
| Waldo        | 78.6% | 4    | 71.5% | 9    | 75.0% | 7    | 74.0% | 6    | 70.4% | 6    |
| Washington   | 67.8% | 13   | 64.6% | 13   | 61.6% | 14   | 57.0% | 16   | 51.0% | 16   |
| York         | 61.6% | 16   | 62.6% | 14   | 67.7% | 13   | 73.9% | 7    | 68.4% | 8    |

Source: U.S. Department of Commerce: Bureau of Economic Analysis and The Maine Heritage Policy Center.



Source: U.S. Department of Commerce: Bureau of Economic Analysis and The Maine Heritage Policy Center. Excludes AK and HI.