Illustrations

I.I.	Trajectory of U.S. living standards	6
I.2.	Decline of U.S. income growth rates in the twentieth	
	century	7
1.3.	Comparison of state economies (in real income per	
	capita), 1969–99	ΙI
I.4.	Distribution of state growth rates, 1969–99	14
1.5.	Comparison of state economies (in real income per	
	worker), 1969–99	15
1.6.	Changes in relative living standards over three decades	
	(in income per capita)	21
1.7.	Changes in relative living standards over three decades	
	(in income per worker)	23
2.I.	End of state income convergence	26
2.2.	Pattern of convergence in state income per worker	27
3.1.	Regression Volatility index, income per capita	38
3.2.	Innovation Volatility index, income per capita	39
3.3.	Regression Volatility index, income per worker	40
3.4.	Innovation Volatility index, income per worker	41
3.5.	Estimated trade-off between volatility and income per	
	capita	46
3.6.	Estimated trade-off between volatility and income per	
	worker	47
4.I.	Changing composition of state tax revenues	52
4.2.	Convergence/divergence among states in the structure	
	of taxes	55
4.3.	Convergence/divergence among states in average tax	
	rates	56
7.I.	State spending growth compared to income growth,	
	1969–98	83
7.2.	State spending growth compared to federal spending	
	relative to income, 1969–98	84
7.3.	Comparison of state spending growth (in real spending	0.5
	per capita), 1969–98	86

xii Illustrations

7.4.	Comparison of state spending growth (in spending	
	relative to income), 1969–98	87
7.5.	Effect of initial government size on growth in spending	
	per capita	88
7.6.	Effect of initial government size on growth in spending	
	relative to income	89
7.7.	Convergence among states in spending per capita	90
7.8.	Convergence among states in spending as a share of	
	income	91
7.9.	Changes in relative spending over three decades (in	
	spending per capita)	92
7.10.	Changes in relative spending over three decades (in	
	spending relative to income)	94
8.1.	Uncertainty of future funding levels and agency costs	98
8.2.	Trade-off between budget volatility and spending per	
	capita	109
8.3.	Trade-off between budget volatility and spending as a	
	share of income	110
9.1.	Major components of state budgets in 1998	120
9.2.	Major components of state budgets in 1969	120
9.3.	Comparative growth in major budget components,	
	1969–98	122
9.4.	Convergence/divergence among states in budget	
	priorities (spending per capita)	I24
9.5.	Convergence/divergence among states in budget	
	priorities (spending as a share of income)	125
9.6.	Convergence/divergence among states in budget	
	priorities (spending as a share of total state budget)	126
9.7.	Effect of citizen and government ideology on total	
	spending	135
9.8.	Effect of citizen ideology on budget priorities	136