

**Are Regional Incomes Converging in the U.S.?
Evidence from Panel Unit Root Tests with Heterogeneous Structural Breaks**

Mark C. Strazicich*
Assistant Professor
Department of Economics
University of North Texas

Junsoo Lee
Associate Professor
Department of Economics
University of Central Florida

September 24, 2001

Abstract

This paper empirically tests if U.S. regional per capita incomes are stochastically converging. We advance the issue by employing a LM panel unit root test that allows for region-specific structural breaks in compensating differentials. Both the number and location of the breaks are endogenously determined for each region. Combined with the findings of Carlino and Mills (1993) and Loewy and Papell (1996), these results provide compelling evidence that U.S. regional incomes are converging.

JEL: O40, C12

Keywords: Income Convergence, Panel Unit Root Test, Structural Break

*Corresponding author: Mark C. Strazicich, P.O. Box 311457, Department of Economics, University of North Texas, Denton, TX, 76203. Telephone: 940-565-2220. Fax: 940-565-4426. Email: strazicich@unt.edu.