Economic Forecasting

Project Proposal

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Question: How is money going to move around the U.S?

Data: <https://www.irs.gov/statistics/soi-tax-stats-county-data>

It is a commonly observed phenomenon that certain areas of the world in general and the United States in particular see large amounts of people flocking to them for one of many reasons, and that certain other areas will see large amounts of people leave for many other reasons.

In extreme cases, positive feedback loops can occur where migration to an area induces more migration, such as how the San Francisco Bay area becomes more attractive as more tech talent moves. Negative feedback loops occur too, such as the surge in people in San Francisco raises rent until less people are willing to live there. Analogous points can be made for areas seeing people leave, such as areas abandoned by major employers.

Closely linked to the movement of people is the movement of the money that they inherently take with them. As people move to and from an area, there is a direct impact on the local economy that we would like to capture. This movement of money across the United States is of key interest to our project.

Specifically, we will be looking at a data set obtained from the United States Internal Revenue Service that looks at every county in the U.S. from 1989 to 2016 and lists all the major tax information of that county for that year, such as the total income, number of returns filed, how much certain types of credits and exemptions were utilized, etc.

There are approximately 3,000 counties in the U.S, and depending on the year, the IRS will track from around 70 to 150 different tax related figures per county. Our goal is to sift through this data over the 27 available years and learn what patterns might have a causal relationship with whatever trends are observed. The ultimate goal in doing so would be to predict, based on a the data that is relevant as input, which counties in the U.S. are going to be most vulnerable to seeing their wealth shrink, and which can be expected to have an especially prosperous near future.