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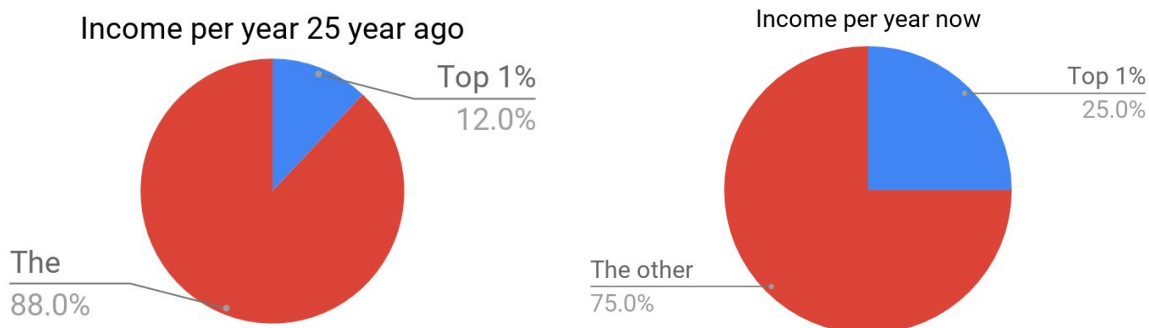
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Income inequality in the United States
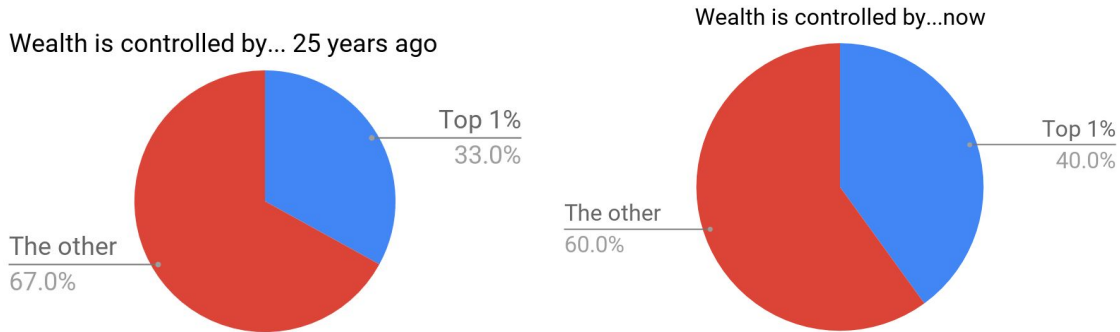
Problem Statement

1.   Background

"Income inequality in the United States has increased significantly since the 1970s after several decades of stability, meaning the share of the nation's income received by higher income households has increased"[1]. The upper 1% of Americans are now taking in nearly a quarter of the nation's income every year. The wealth rather than income, the top 1% control 40%. 25 years ago, the corresponding figures were 12% and 33%.[2]
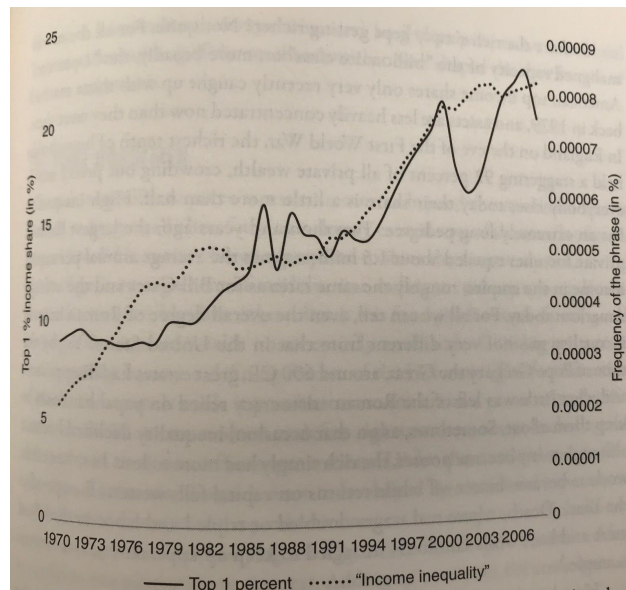

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[1] From Wikipedia, "Income inequality in the United States"
[2] The Great Divide - Unequal Societies and What We Can Do About Them, by Joseph E. Stiglitz

Wealth is controlled by... 25 years ago

Top 1%
33.0%

The other
67.0%

Wealth is controlled by...now

Top 1%
40.0%

The other
60.0%

Source: "Of the 1 percent by the 1 percent, for the 1 percent", Vanity Fair, May 2014

The summarized time trend of top 1% income share and income inequality is given below.

Source: "The great leveler", by Walter Scheidel

There are various issues caused by this ever widening gap and some of them are listed below:

1.1. **The consumption problem**: When on**e** interest group holds too much power, it succeeds in getting policies that help itself in the short term rather than the society as a whole. Also, as more money becomes concentrated at the top, the

aggregate demand goes to a decline leading to more supply than demand, which in turn leads growing unemployment, and the cycle continues until recession.

1.2. **The social problem**: There are several dimensions of these inequalities like childhood deprivations, inequality of access to education and healthcare,etc. Essentially leading to inequality of opportunity. This eventually boils down to the quality of life for one and all.[3]

2. Data Exploration

So we are interested in this history and trend of income inequality further, some possible factors that led to its occurrence, the impact and probable solutions to this problem. We will also explore income inequalities within different states in USA

Pls Note: The possible datasets that we will use for further exploration is also added in the document wherever applicable.

Associated dataset for exploring yearly trend of income distribution in the united states: https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-people.html

2.1. Possible factors causing income inequality

2.1.1. Occupation - Different occupation have different income distribution which may lead to income inequality in long term.
Article Link:
https://www.americanprogress.org/issues/women/news/2015/04/14/110959/how-the-gender-wage-gap-differs-by-occupation/
Data Source:
https://datausa.io/profile/geo/01000US/#income_distro

2.1.2. Race & Gender disparities: For 2016, the highest paid race/ethnicity of United States workers was Asian. We want to explore the hypothesis that race has an impact on income.Full-time male employees in the United States made 1.34 times more than female employees.
Gender discrimination may be one reason for income inequality. We want

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[3] The Great Divide - Unequal Societies and What We Can Do About Them, by Joseph E. Stiglitz

to analyze how the race and gender affects the income inequality in US.
Data Source:

https://datausa.io/profile/geo/united-states/#income_ethnicity

2.1.3. Education differences: Education level may lead to different income level. It is important to know whether the relation between education level and income is creating an income inequality.
Article Link:
https://inequality.stanford.edu/publications/20-facts-about-us-inequality-everyone-should-know
Data Source: https://bls.gov

We will also try to study the other possible factors that might have an impact on the the ever increasing income gap

2.1.4. Outsourcing - Many companies have outsourced their high-tech and manufacturing jobs which causes a decline in the jobs for the citizens here.
Article Link:
https://www.citizen.org/our-work/globalization-and-trade/more-job-offshoring-more-income-inequality

2.1.5. Increased automation or skill based technological change:Robots and Automation are eliminating some of the routine jobs but are generating high income jobs requiring newer sophisticated skills, benefiting just a few in the long run.
Article Link:
https://www.technologyreview.com/s/531726/technology-and-inequality/

2.1.6. Tax system

The above possible causes will be explored in-depth however we also want to look if there is a possible correlation between the above factors.

https://www.mercurynews.com/2018/02/15/income-inequality-in-the-bay-area-is-among-nations-highest/

2.2. Possible Impact

    2.2.1. Slow recovery from economic crisis e.g. 2008

    2.2.2. Upward mobility of people from low income to high income locations - less resources and becomes expensive.

    2.2.3. If more number of families' income go below a certain level, Govt has to budget to support these families, which in turn takes a toll on the economy.

    2.2.4. Diminish education opportunities for the poor which would fuel the disparity more.

    2.2.5. Negative effect on health diminishing productivity and growth.

2.3. Possible solutions

    2.3.1. Focus on job generation.

    2.3.2. Eliminating disparities in college graduation would have a modest direct impact on the racial wealth gap.

3. Additional Sources of information used for building the problem statement:

    3.1. The Great Divide - Unequal Societies and What We Can Do About Them, by Joseph E. Stiglitz (Winner of the Nobel Prize)

    3.2. "The great leveler-Violence and the history of inequality from the stone age to the twenty-first century", by Walter Scheidel

    3.3. https://www2.deloitte.com/insights/us/en/economy/issues-by-the-numbers/july-2017/rising-income-inequality-gap-united-states.html

    3.4. https://inequality.org/facts/global-inequality
http://www.demos.org/publication/racial-wealth-gap-why-policy-matters

    3.5. https://www.huffingtonpost.com/tuomas-malinen/the-economic-consequences_b_8827634.html

    3.6. https://www.usnews.com/news/best-countries/articles/2018-01-23/economic-inequality-and-happiness

3.7. https://www.vox.com/policy-and-politics/2017/8/30/16220134/universal-basic-income-roosevelt-institute-economic-growth

3.8. https://www.technologyreview.com/s/531726/technology-and-inequality/

3.9. https://techcrunch.com/2017/03/29/is-technology-contributing-to-increased-inequality/

4. **Data set that we will use for our analysis:**

4.1. https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-01.2013.html

4.2. https://datausa.io/profile/geo/united-states/#category_wages

4.3. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF