

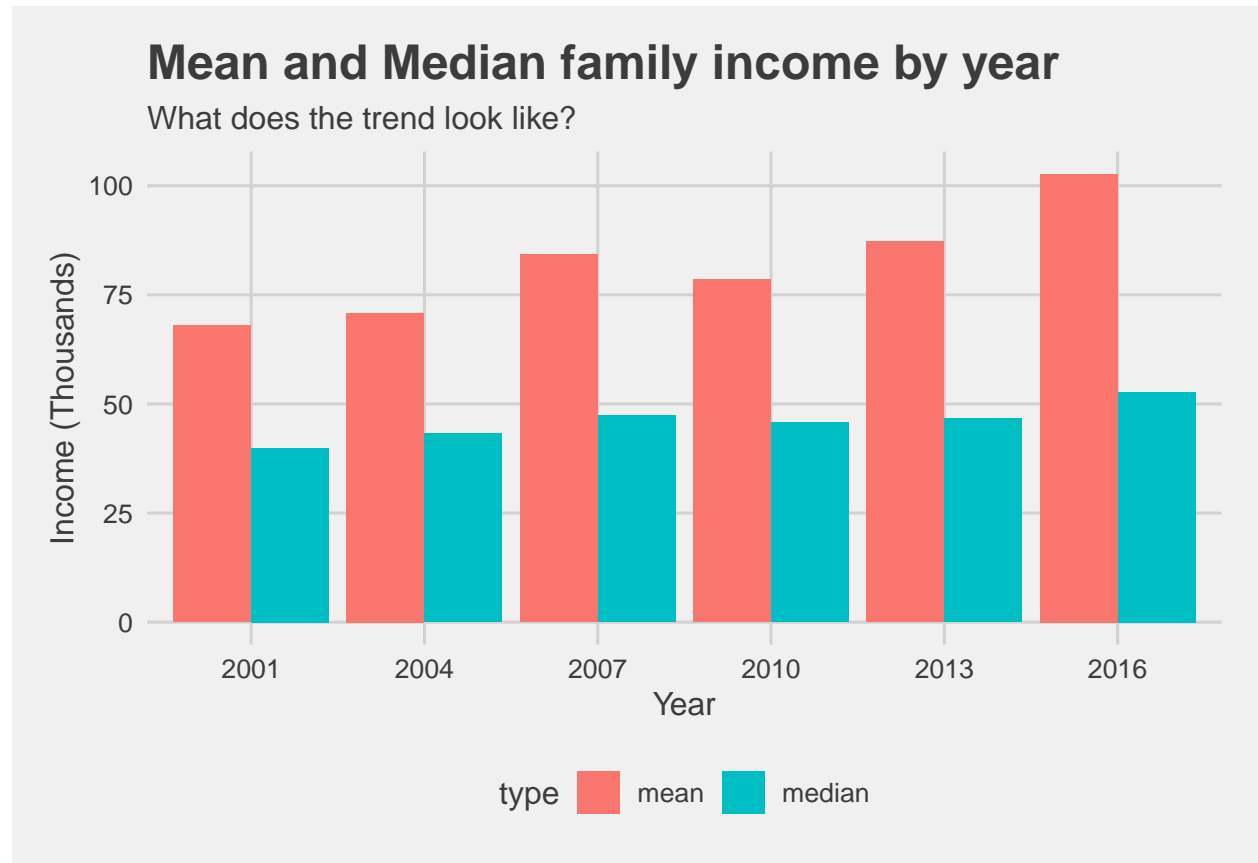
# ECON 615 Problem Set 1

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For this problem set, we considered the Survey of Consumer Finances (SCF). This dataset focuses in particular on family income and their various compositions (age, race, education levels etc). Within the dataset, several macrotrends were found and considered. In the period from 2001 to 2016, it is observed that the pre-tax mean and median family income (for all families) increased by 51% and 32.7%, respectively. Below is the bar graph and table that illustrates the noticeable increase.

Table 1: Mean and Median incomes of all families from 2001 to 2016

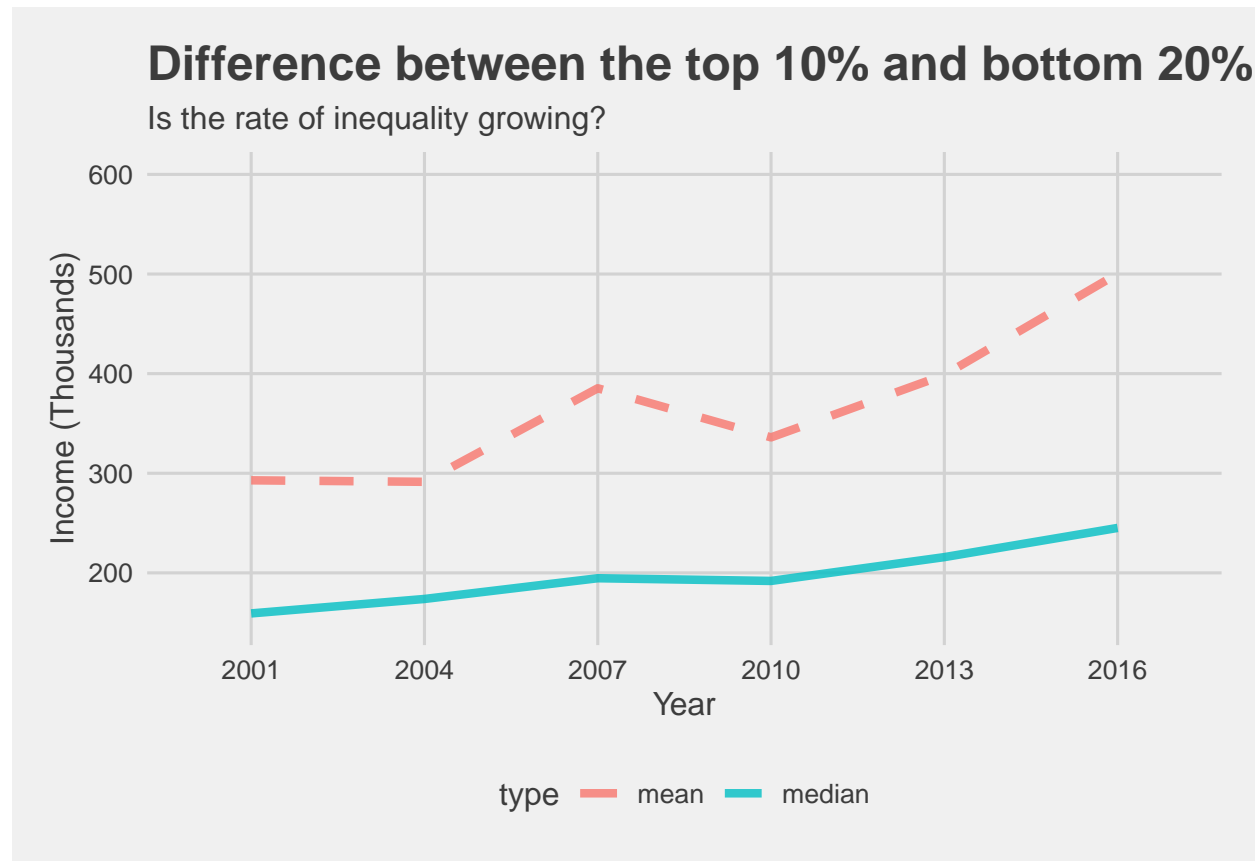
Year	Mean Income (Thousands)	Median Income (Thousands)
2001	68.0	39.9
2004	70.8	43.2
2007	84.3	47.3
2010	78.5	45.7
2013	87.2	46.7
2016	102.7	52.7



Note that this does not account for inflation within this time period. Including this detail, according to the

Bureau of Labour Statistics Consumer Price Index, average prices are 35.52% higher in 2016 than they were in 2001. The median estimator is preferable here to the mean as it is more robust to outliers. Consequently, average family income barely kept in pace to inflation, if not falling behind. A suitable research question that arise from these findings is investigating the causes of stagnant wage growth.

The next trend found was the widening gap between the top 10% of family income earnings and the bottom 20%. Below is a line chart that represent the difference in earnings:



As we observe, there was a dramatic increase in the difference of earnings from 2010 to 2016. The main drive behind this unprecedented acceleration is that the top 10% of family income earnings has seen the median income increased by 26.74% and the mean income increased by a staggering 47.52%. The bottom 20% of family income earnings, meanwhile, has only seen more modest gains as then median and mean income improves by 12.68% and 11.62%, within this time period. Referring to the table, it is also of substantial concern that the bottom 20% of family income earnings fall around the poverty line. An interesting class of research questions can arise from evaluating the normative discussion regarding if this acceleration of income inequality is bad or irrelevant to society.

Finally, we note some possible explanations for some of these macro trends. The virtual drop in all income metrics from the years 2007 to 2010 correspond to the housing recession, while the latter years reflects the recovery of the global economy. Advances in technological and industrial fields may have also been reflected in this period, as sector growth is correlated with wages. Given the absolute complexity involved, not much more can be presumed as to what would drive these trends outside of random speculation.