

The Collapse of the American Dream: *From “Rags to Riches” to the “Ragged and the Rich”*

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“Knowledge is Power. Information is
Liberating. Education is the premise of
Progress, in every society, in every
family.”

—Kofi Annan

*Ghanaian diplomat and former Secretary
General of the United Nations*

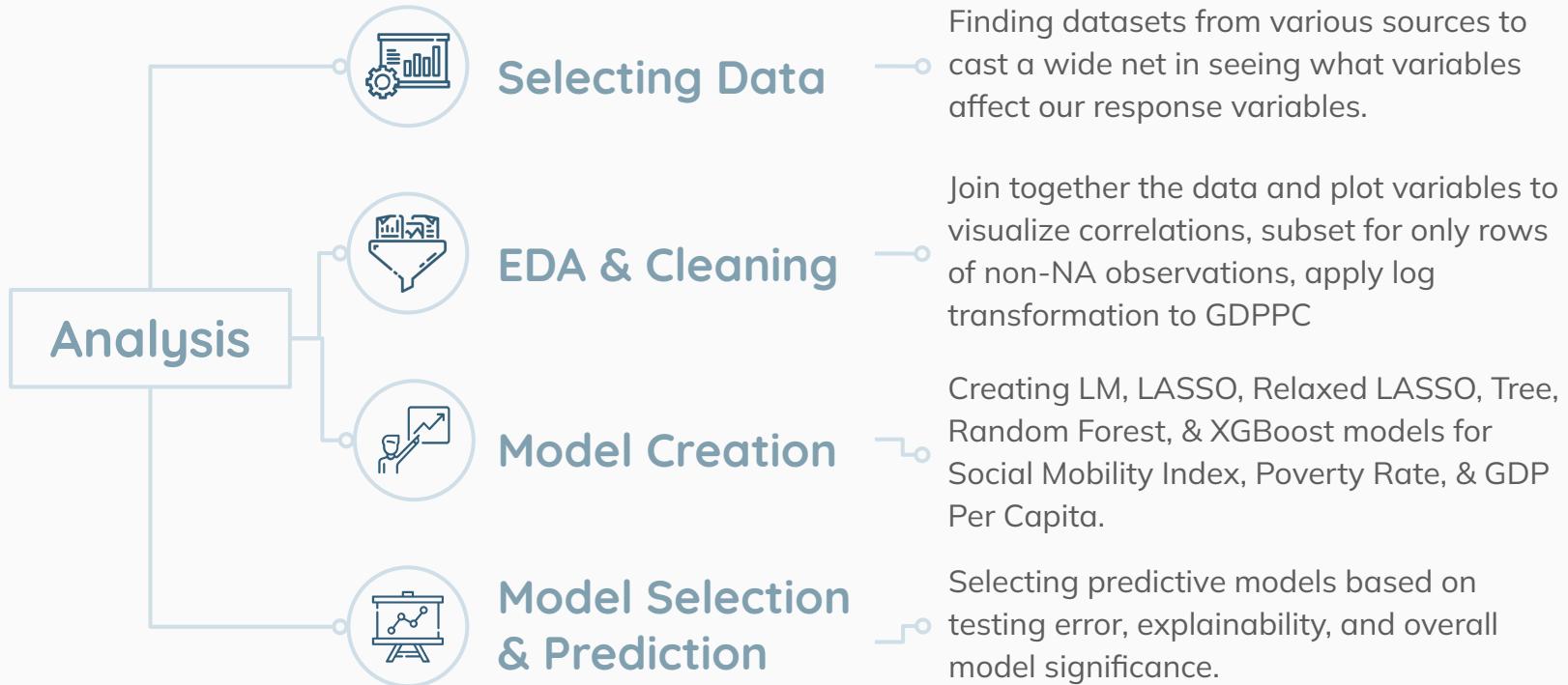
01 ✶ Our Question

How has the promise of the American Dream changed over time and how can America learn from other countries to improve its social mobility?

Purpose

- Testing the accuracy of the current American Dream providing a better life.
- Measuring how minimizing economic inequality can increase social stability and wellbeing, maximize educational opportunities, etc.
- Knowing what contributes to vertical social mobility to guide American policies to restore American Dream & help with key issues.

Methodology



02

US Data

Analyzing the Current US State

US Data

Median Income

FRED

Medicare Monthly Premiums

The Balance

Tuition Fees

NCES

House Price

FRED

Share of Wealth by Top 1%
v.s. Bottom 50%

FRED

GINI Index

FRED

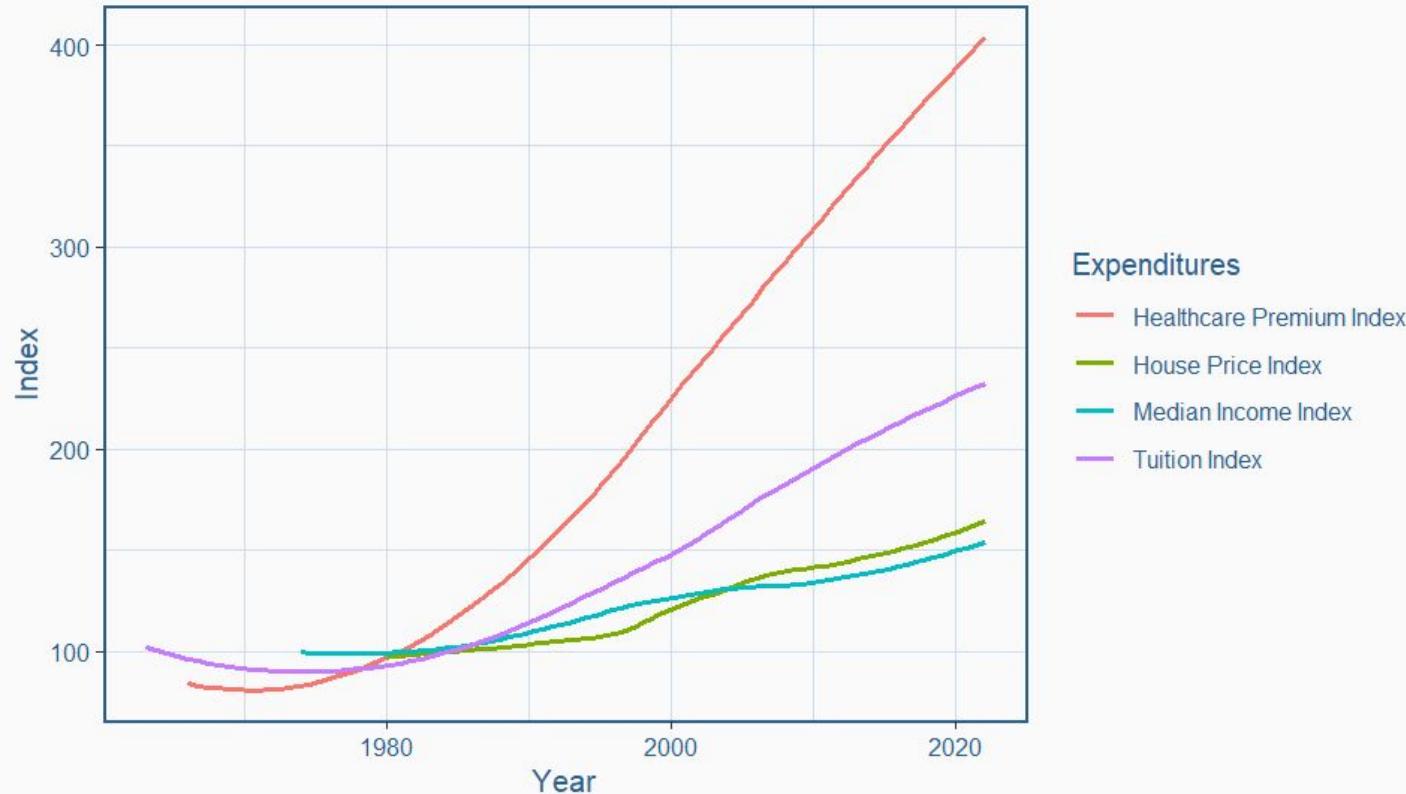
Percent of Children that
Earn More than Parents

Opportunity Insights

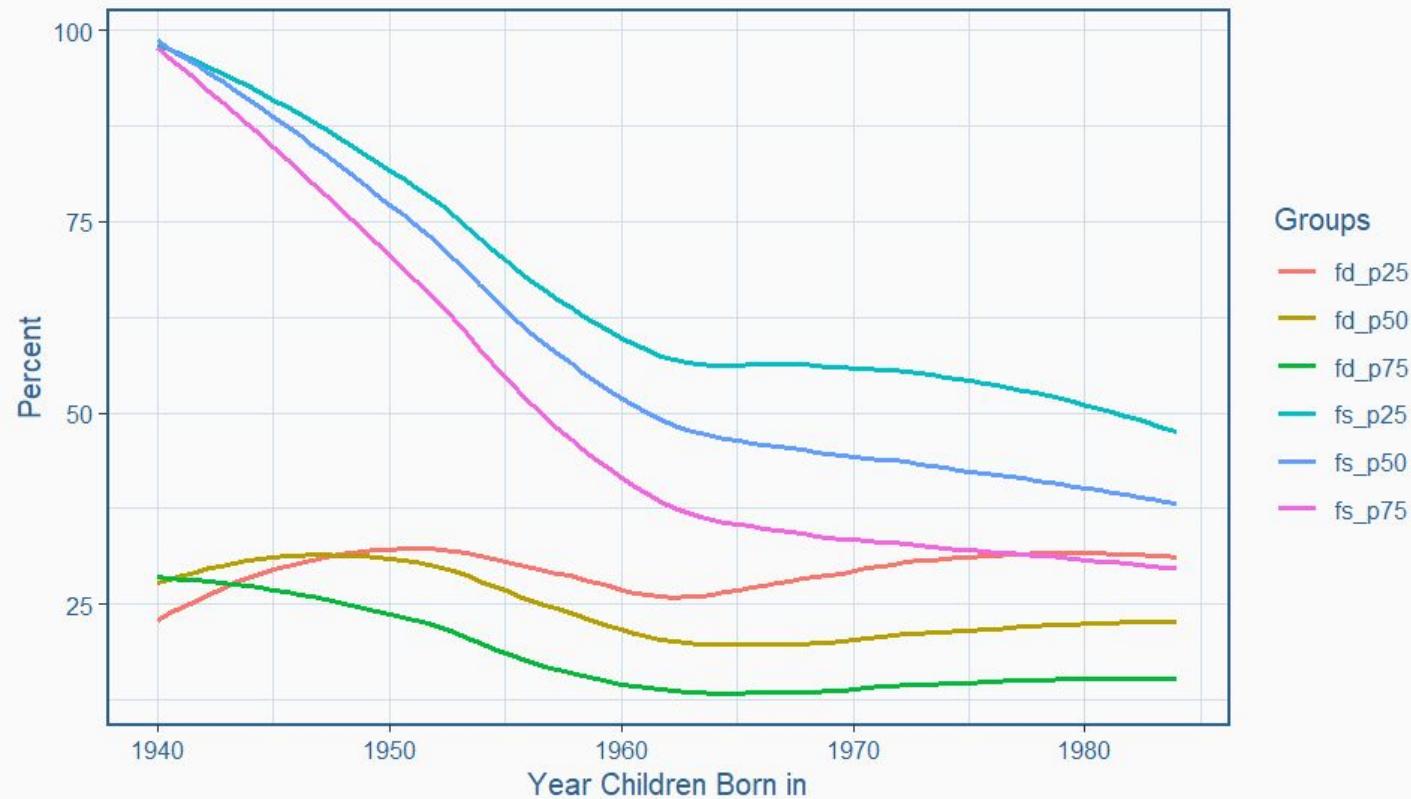
Savings After Necessary
Expenditures

FRED

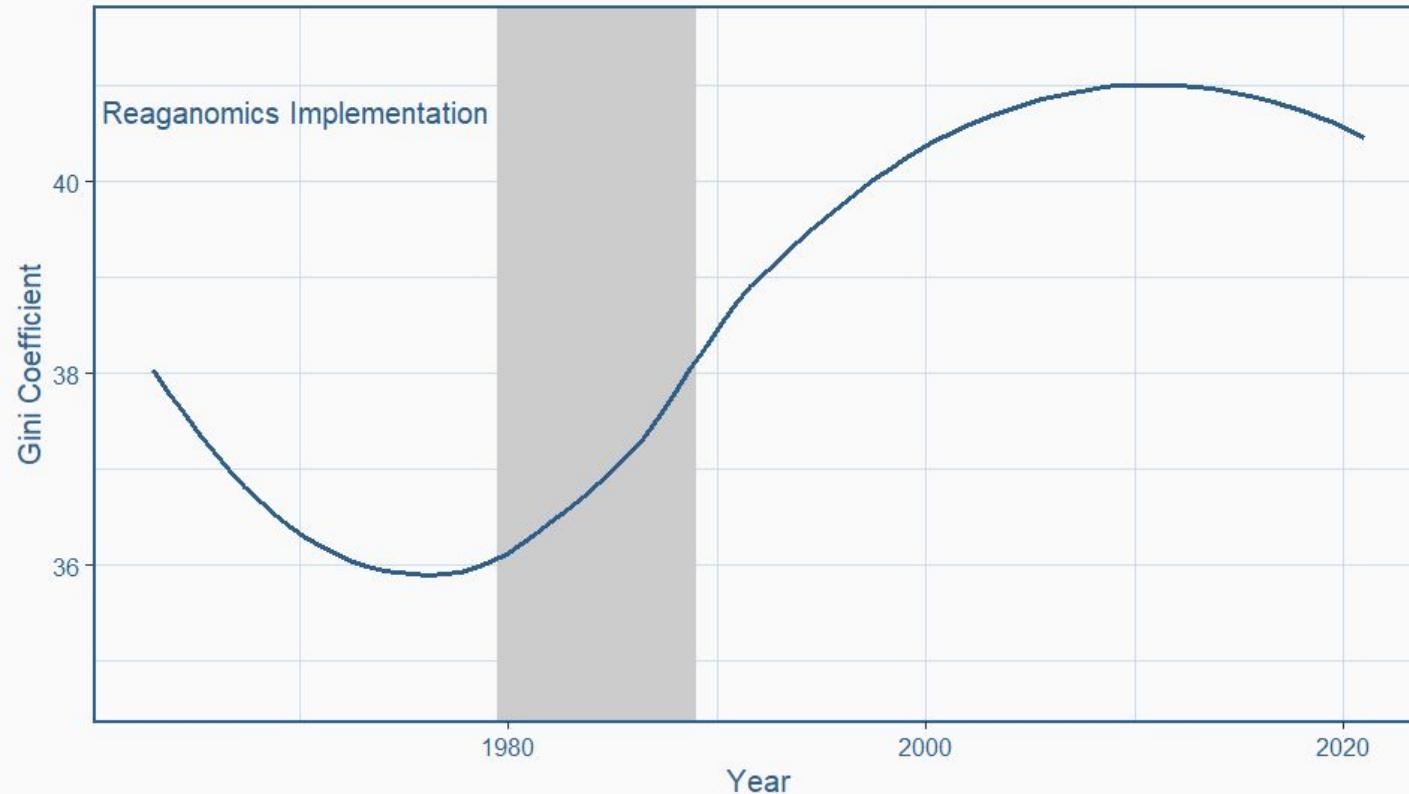
Expenditures (CPI Adjusted, Indexed to 1984)



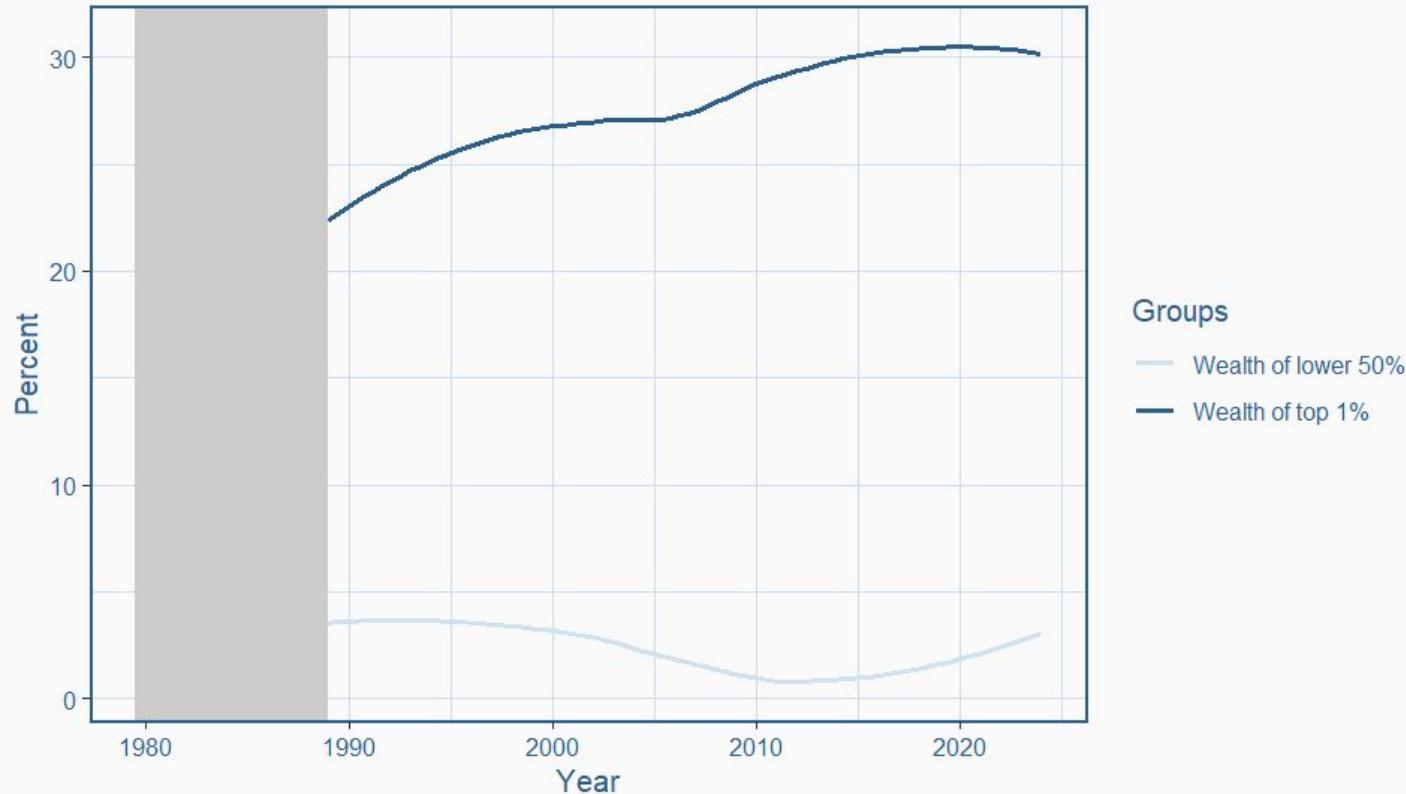
Percent of Children Surpassing Father's Income



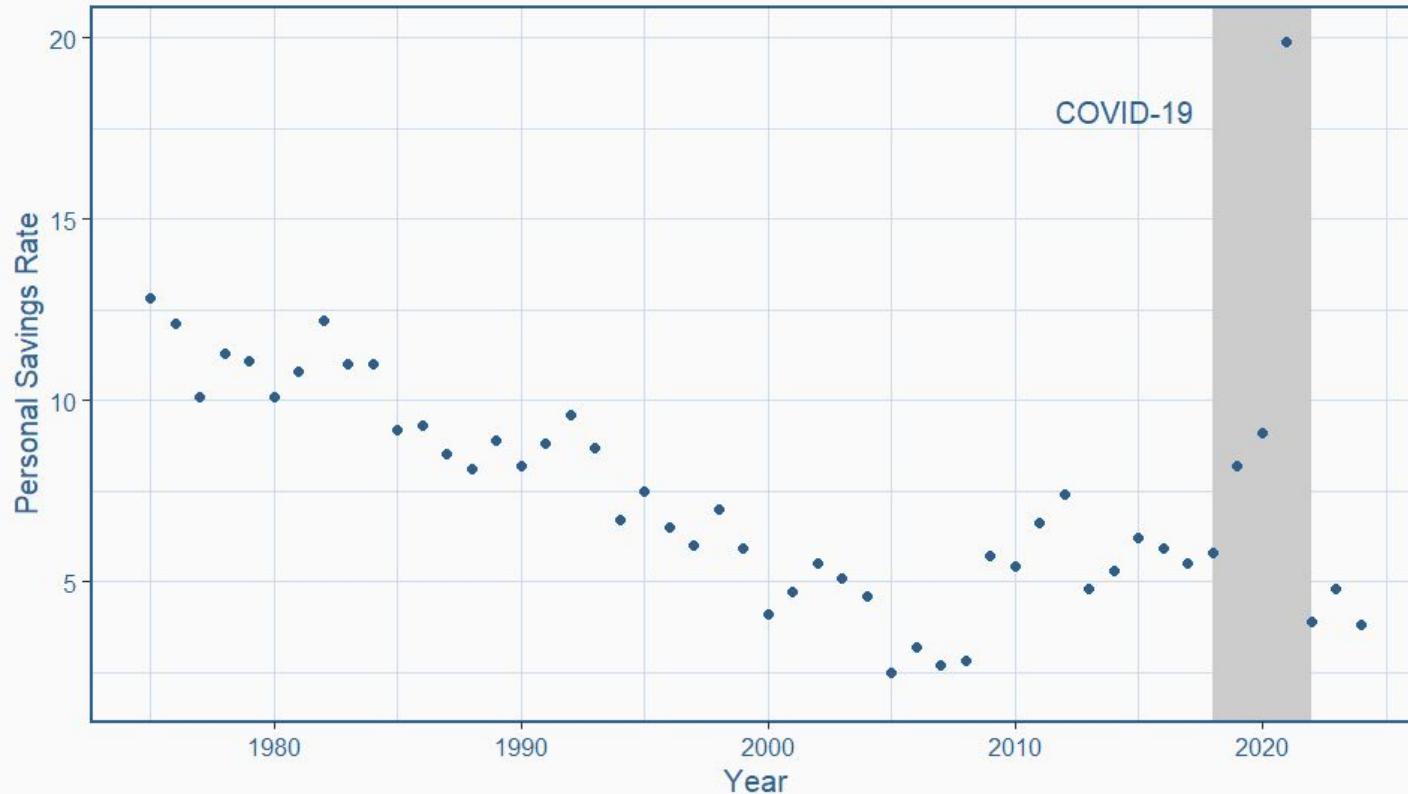
Gini Coefficient Over Time



Wealth Share Percent Over Time



Savings Rate Over Time





03 ✨ Global Data

Modeling and Predicting Impacts on Poverty, Social Mobility, and GDP Per Capita

Global Data

Tuition Costs

N26

Mortgage as % of Income

World Population Review

Price to Income Ratio

World Population Review

Social Welfare

OECD

Top 1% Income Share

Our World In Data

Gini Coefficient

Statista + World Bank

Education Index

World Population Review

Corruption Perception

Transparency International

Healthcare Index

Numbeo

Predicted Variables

Social Mobility Index

World Economic Forum

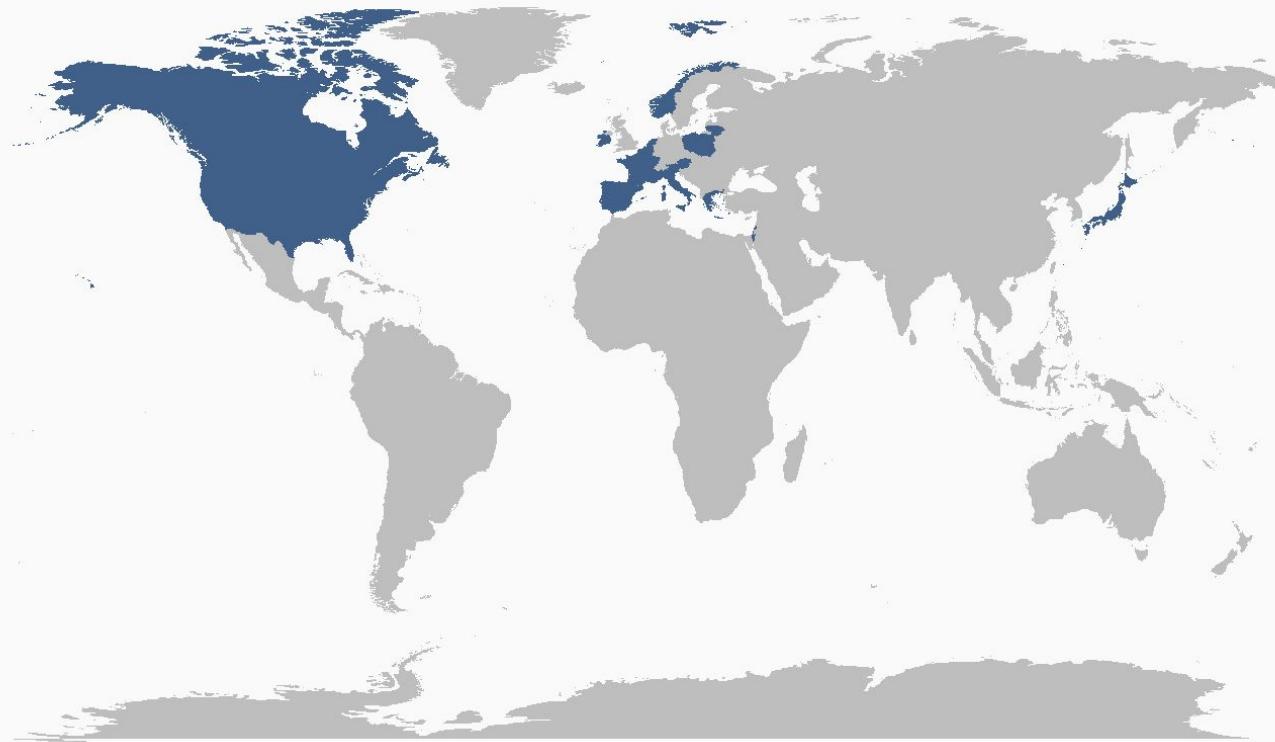
GDP Per Capita

WorldOMeter

Poverty Rate

OECD

Used Countries

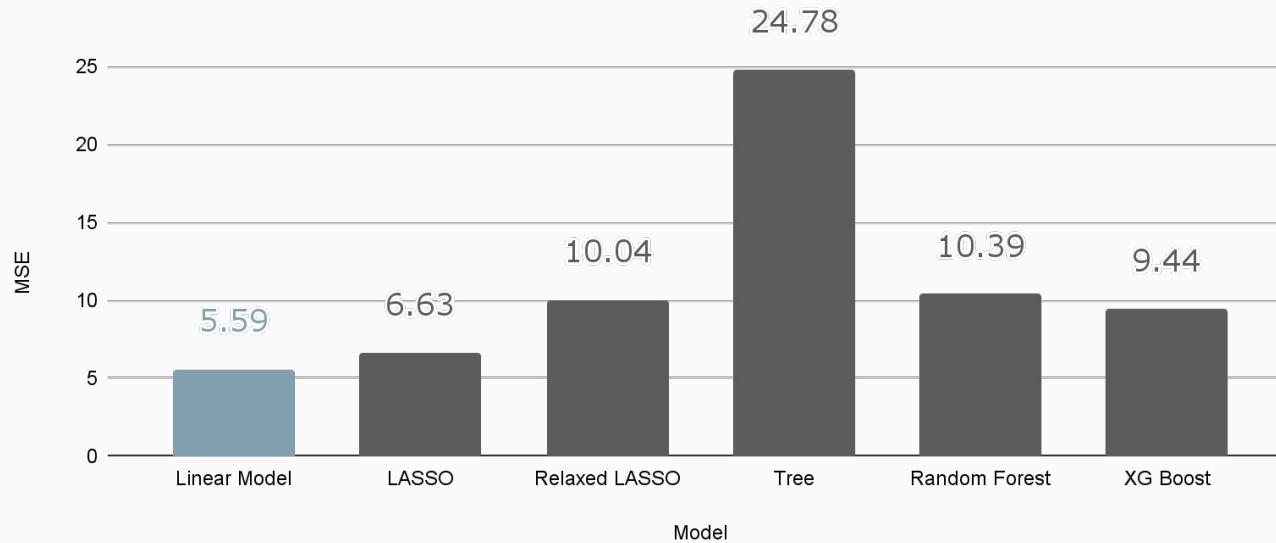


04

Model Selection

Choosing Predictive Models

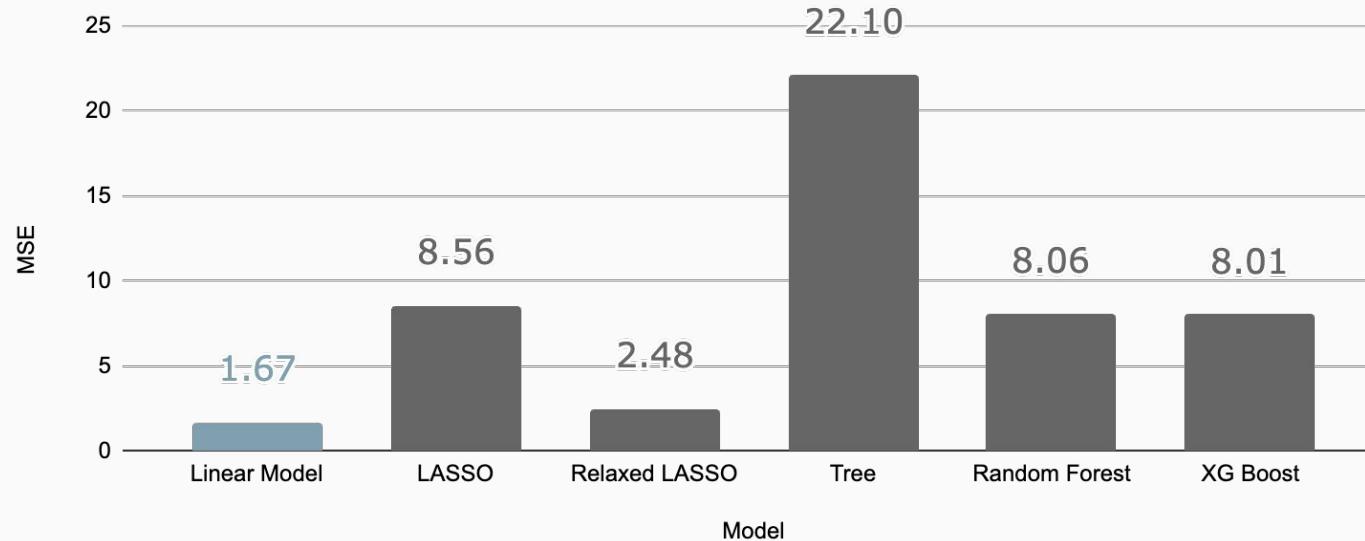
Comparing Social Mobility Index Models



Final Model

Other

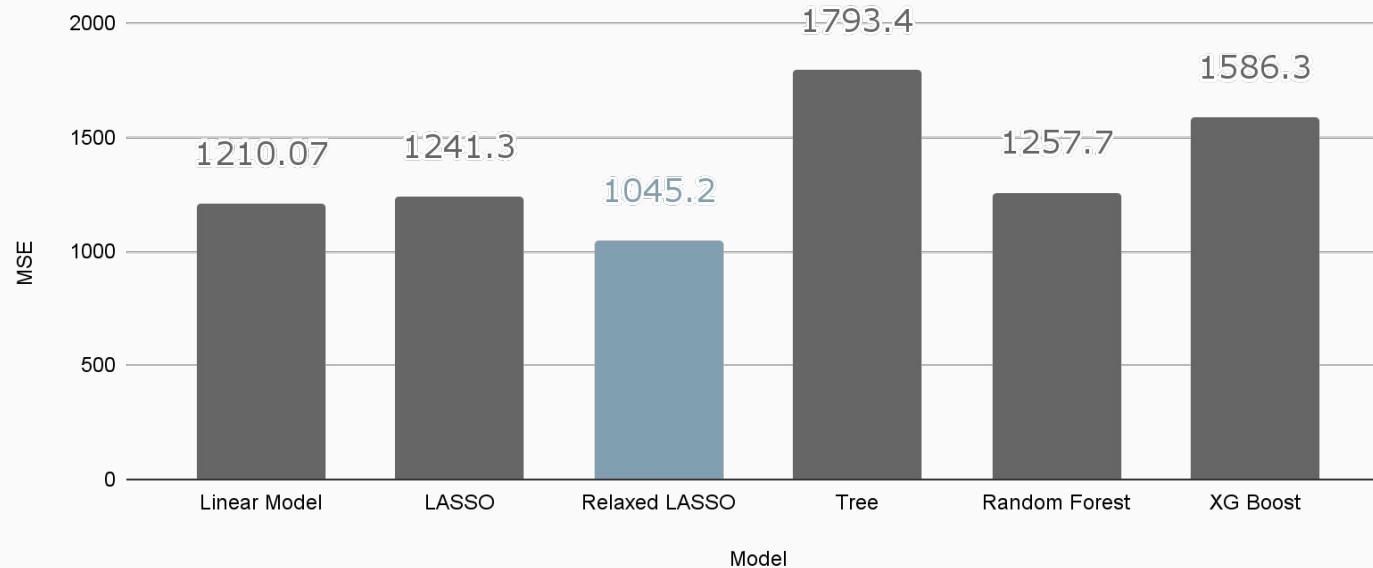
Comparing Poverty Rate Models



Final Model

Other

Comparing Log GDP Per Capita Models



Final Model

Other

05

Final Models

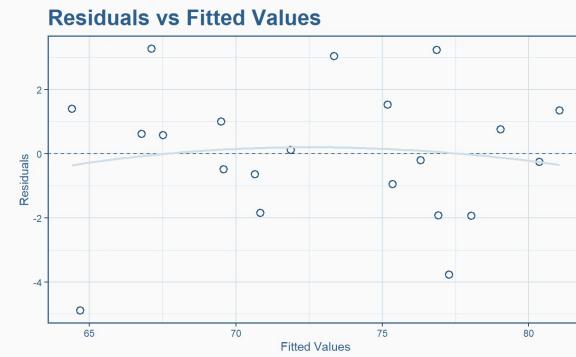
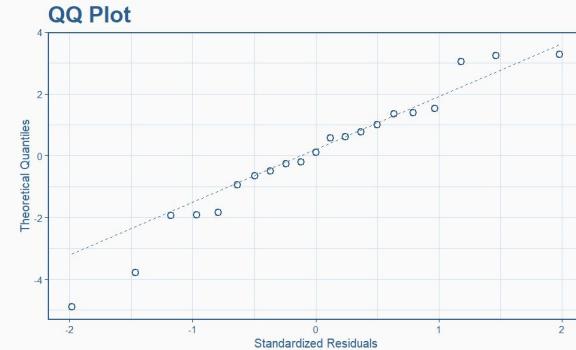
Analysis of Our Final Models

Social Mobility Index Linear Model

	Coefficient	95% CI	P-value
Intercept	61.67396	49.992, 73.356	0.000000 00312
Wealth Share Top 1%	-0.491	-0.922, -0.059	0.0284
Gini Coefficient	-35.15	-69.035, -1.267	0.0429
Corruption Perception	0.4365	0.332, 0.541	0.000000 0988

Multiple R-squared: 0.856
F-statistic: 33.67 on 3 and 17 DF

Adjusted R-squared: 0.831
P-value: 0.0000002256



Poverty Rate Linear Model

	Coefficient	95% CI	p-value
Intercept	-1.2962	-12.89, 10.29	0.8162
Health Care Index	0.1697	0.033, 0.307	0.0181
Wealth Share Top 1%	0.5566	0.175, 0.939	0.0068
Welfare Spending % GDP	-0.2588	-0.520, 0.002	0.0518

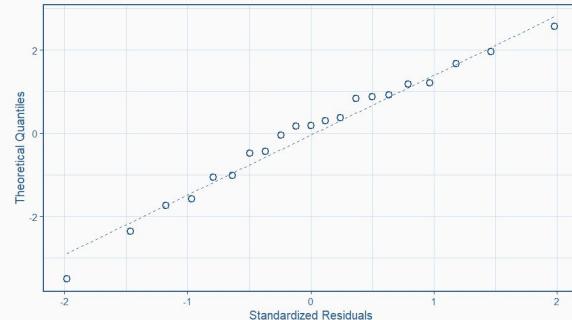
Multiple R-squared: 0.5375

F-statistic: 6.585 on 3 and 17 DF

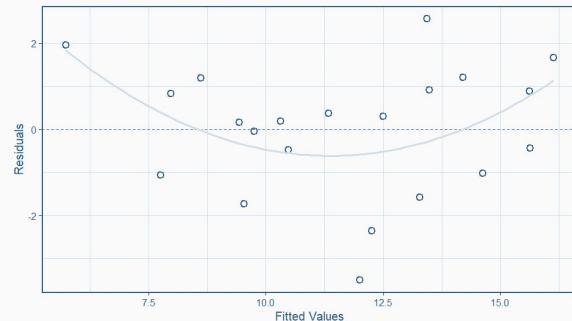
Adjusted R-squared: 0.4559

P-value: 0.00374

QQ Plot



Residuals vs Fitted Values



Log GDP Per Capita Relaxed LASSO

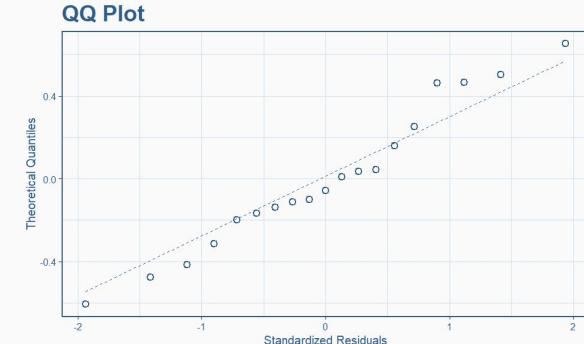
	Coefficient	95% CI	p-value
Intercept	1.268648	0.243, 2.294	0.0183
Corruption Perception	0.037489	0.022, 0.053	0.00000629

Multiple R-squared: 0.6201

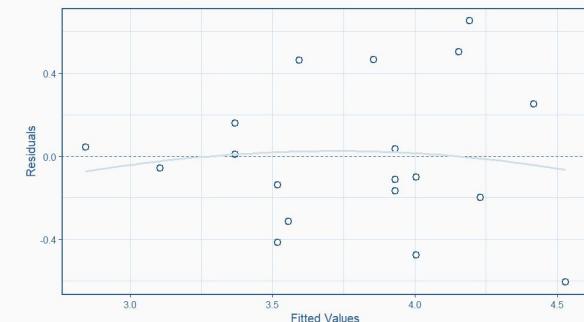
F-statistic: 27.75 on 1 and 17 DF

Adjusted R-squared: 0.5977

P-value: 0.00006286



Residuals vs Fitted Values



06



Predictions

Our Predicted Values

Prediction Data

	Original	Prediction 1 (Low)	Prediction 2 (Mid)	Prediction 3 (High)
Corruption Perception:	69	58.5	79.5	90
Gini Coefficient:	0.41	0.5	0.32	0.23
Health Care Index:	68	58.8	77.2	86.4
Welfare spending % gdp:	18.70%	12.45%	24.95%	31.20%
Income share top 1%:	20.90%	27.90%	13.9%	6.90%

Prediction Results

Limits	SMI.R	SMI.1	SMI.2	SMI.3	POV.R	POV.1	POV.2	POV.3	GDP.R	GDP.1	GDP.2	GDP.3
Pred.	70.4	55.9	78.7	89.4	15.2	21.0	14.5	9.1	75.3	31.9	70.0	103.8
Low.	X	49.8	75.4	85.7	X	14.8	10.48	5.9	X	25.6	54.4	70.8
Upp.	X	62.1	82.1	93.3	X	25.6	13.3	12.4	X	39.6	90.1	152.1

07

Suggestions & Potential Policies

How Can We Improve?

Healthcare

- Increased funding & government assistance
- Lower Costs for easier access
- Less privatization and caps on pharmaceuticals

Welfare Spending as % of GDP

- Minimize social stigma and administrative hassle
- Divert funding in budget

Income Share of 1% / GINI

- Progressive taxation
- Improved/Livable wages
- Erase avoidance loopholes

Corruption Perception

- Full transparency for public discussion
- Institutional reform
- Openness regarding spending & lobbying

Limitations

- Small training sample size of 24 countries led to higher error and limited predictive power
Ex: Welfare Spending as % of GDP
- Mostly high-income countries and excluded those outside large international orgs like OECD with limited public information
- With more data, we could improve our models to produce more accurate insights on our variables
- Some data points were not up-to-date

What's Next?

This study opens the door for further research:

- Examine real socio economic effects
- Analyze government policies
- Measure how successfully different methods address key issues
 - Eg. social mobility, poverty, wealth distribution



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Thank You