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In Pursuit of Happiness: How Realistic is the American Dream? Understanding and Seizing Inequality

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Received: September 7, 2022
Revised: November 3, 2022
Accepted: November 20, 2022
Published: December 7, 2022

Abstract: Recognized as the land of the free, the United States has provided the economic stage for many to craft their slice of the American dream. More questionable is that about 11.4% of its citizens are living below the national poverty line despite the national wealth. However, the acceptance that poverty for some is an unfortunate consequence of free markets is present among a strong majority of the American population. By using a ballpark method from, the Gini Coefficient, Equivalence Adjustment, and Mean Logarithmic Deviation, this study illustrates how persistent income inequality is a result of class warfare – a socioeconomic competition among the social classes which plays a vital role in the pursuit of the American Dream. The study recommends that to restore an economy where everyone gets a fair shot, the government needs to make sure that everyone plays by the same set of rules. Tackling high inequalities will create opportunities for all, and education should become a fundamental right for all and not a privilege for the few.

Keywords: aggregate income; class warfare; equivalence adjustment; Gini coefficient; income inequality; mean logarithmic deviation; racial framing.

"*I have a dream that one day this nation will rise up and live out the true meaning of its creed: 'We hold these truths to be self-evident; that all men are created equal*" – Dr. Martin Luther King Jr.

Introduction

Officially America is great again, however, the American dream is now made in China. The United States used to be known as the world's economic powerhouse. That power is now continuously being challenged by China's economic prosperity. Competition from China combined with reduced trade barriers has further reduced prospects for the United States workers without advanced skills. Some economists have even forecasted that China will take over from the United States as the economic powerhouse in 2030 (CEBR, 2022; Rapp & O'Keefe, 2022). By lifting 800 million people out of poverty, "China achieved its goal of poverty reduction in the new era as scheduled at the end of 2020" said Yu Weiping, Vice Minister of Finance. "China's poverty reduction story is a story of persistent growth through economic transformation," said Manuela V. Ferro, World Bank Vice President for East Asia and Pacific (World Bank, 2022).

When it comes to wealth instead of income, roughly 22 million people in the United States had a net worth of more than $1 million in 2020, which amounts to about seven percent of the United States population. While the millionaire population has been growing throughout the economic recovery, the strongest growth has been at the very top of the wealth ladder. Out of the 130 million households, 13.6 million were considered to have accumulated a wealth of more than $1 million, excluding their primary residence (Spectrem Group, 2021).

How to cite
Stober, E.O. (2022). In Pursuit of Happiness: How Realistic is the American Dream? Understanding and Seizing Inequality. *Management Dynamics in the Knowledge Economy, 10*(4), 391-406. DOI 10.2478/mdke-2022-0025
ISSN: 2392-8042 (online)
Journal Abbreviation: *Manag. Dyn. Knowl. Econ.*
www.managementdynamics.ro
https://content.sciendo.com/view/journals/mdke/mdke-overview.xml

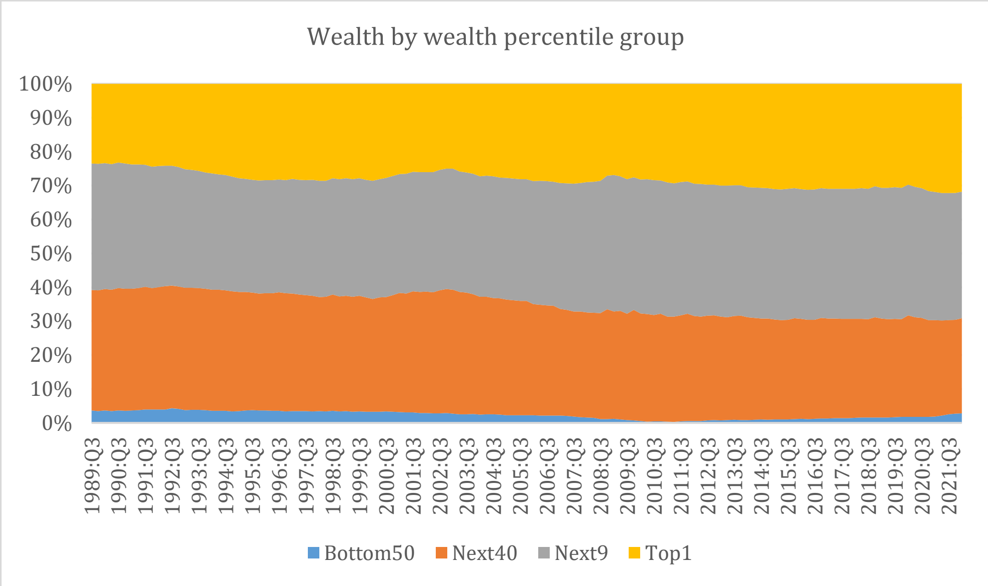

Figure 1. Distribution of Household Wealth in the U.S. since 1989
Source: Federal Reserve (2022)

As of the first quarter of 2022, the top one percent of wealthiest Americans held about 32% of all wealth in the United States, up 8 percentage points from three decades prior. Meanwhile, the bottom 50% held just 2.8% of the total wealth. This is 1.2 percentage points below what was recorded three decades ago. The top 1% and the next 9% put together, accounted for 70% of all wealth in the United States (Federal Reserve, 2022). From 1991 to 2022, wealth became increasingly concentrated in the top 10% due in large part to corporate stock ownership concentration in those segments of the population.

The state that had the highest number of people living below the poverty line in 2020 was California (Statista, 2021). Comparing California where about 4.32 million people were living in poverty in 2020, the state of Minnesota is much better off with about 468,000 people living in poverty. Black Americans are the ethnic group with the most people living in poverty, at the same time about 19.5% of their population earn an income below the poverty line. In comparison to that, only 8.2% of the White (non-Hispanic) population, and 8.1% of Asian people were living below the poverty line (Statista, 2022). Children are one of the most poverty-endangered population groups in the United States between 1990 and 2020. Child poverty peaked in 1993 reaching 22.7%, between 2000 and 2010, the rate of children living below the poverty line increased every year; however, this child poverty rate was down to 16.1% in 2020 (Statista, 2022).

This study is an attempt at looking at how lack of political will has expanded the income and social inequality bracket over time especially since 2011, hence creating class warfare. It looks at why some people are rich, and others are poor, as well as the fundamental fairness of the United States' economic system. It would address divergent beliefs about the effectiveness of government action on inequality and poverty. Most importantly, this paper intends to present the current level of inequality in the country while highlighting the causes and complexity of it, and why achieving the American dream might be difficult to attain.

The next section is the literature review, looking at the evolution of the American Dream, as well as income and wealth inequality from different dimensions, especially with the findings of other studies.

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Literature review

American Dream as a term was coined by writer and historian James Truslow Adams in his best-selling 1931 book “Epic of America”. To address the historic development and philosophic vision of America as the citizens suffered through the 1931 Great Depression, Adams wrote “The Epic of America” in which he painted a sweeping picture of the diverse past that has created America's national story. He traced the historical origins of the American concept of "bigger and better," attitudes toward business, “the American Dream”, and other characteristics generally considered "typically American." In this book, Adam spoke of the American Dream as “that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement … regardless of fortuitous circumstances of birth or position” (Adams, 1931, pp. 415-416). The American dream also offers the promise that the circumstances of someone's birth—including whether they were born American citizens or immigrants—do not completely determine their future (Adams, 1931).

The idea of the American dream has much deeper roots. Its views can be found in the Declaration of Independence, which states: “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness” (National Archives, 1776).

Colonial America saw the dream realized in the interaction among classes. People of the time wrote about the new experience of equality. Employees could speak openly to their employers and believed that with dedication they could improve their status. Considering the current cost of living, keeping up with the American Dream is growing into a costly endeavour. An endeavour many people speculate has become something few can attain. Hence, the majority of the American middle class, not to mention the lower class, must now prioritize their needs because they cannot afford as much as they once had. College education and other amenities now seem to be attainable only for the wealthiest citizens and those that can access credit facilities. Since the 1970s, income inequality has increased substantially, and the American dream has begun to seem less attainable for those who are not already affluent or born into affluence. The defining challenge of our time, therefore, becomes income inequality, which affects everyone and hinders overall growth. The uninterrupted increase in inequality since 1968 has caused concern among Nobel Prize-winning economists (Stiglitz, 2013), policymakers (Yellen, 2014), politicians (Warren, 2019), members of the public (Amadeo, 2022; Stewart, 2019), civil rights groups (Inequality, 2022) and institutional think tank (CFR, 2022).

An IMF study finds that inequality is damaging to economic growth. Just to be clear, income inequality is by no means only the United States' problem; the gap is rising all over the developed world, but it is just rising faster in the United States. The average income of the richest 10% is 16 times as large as that of the poorest 10%, and the richest 1% of Americans now account for 20% of national pre-tax income (OECD, 2022). Income inequality then becomes a topic that politicians will avoid at all costs. To be fair to them, there is a key reason why they would rather not engage in such discussion, because every time someone tries to, he or she would be accused of starting class warfare.

The phrase class warfare is a long-lived popular twist on Marxist jargon. Marx & Engels (1848, p. 482) famously wrote that "the history of all hitherto existing society is the history of class struggle". Karl Marx and Friedrich Engels argue that throughout history, we see the oppressor and oppressed in constant opposition to each other. Based on their observations of the effects of the Industrial Revolution on British workers, they theorized that capitalism inevitably created conflict between laborers and capitalists. To unmask the central role of capitalism and the attending regimes of accumulation in the current wave of resistance even when they appear disconnected, Todd and Peter (2018) utilize class analysis to understand contemporary social movements. The scholars' contention is that it is critical to see class as a series of relations, in order to make out the distinct nature of these resistance movements. In an opinion article published by Newsweek, Joel Kotkin (2022) argued that America is headed for class warfare. In his view, even though the growing class divide could well be the dominant issue of the next decade, middle and working-class Americans are widely and correctly pessimistic about their economic futures (Kotkin, 2022).

The phrase "*Class Warfare"* is so toxic that even the charismatic President Barack Obama could not find his way around it during his presidential tenure, and he had to ask a group of historians to help him find a way to discuss the issue of inequality without being accused of class warfare. Obama went further in taking a novel step of embracing the role of "warrior for the middle class." In his 2012 State of the Union address, he said income inequality is the defining issue of our time. According to Obama, the basic American promise is that if you worked hard, you could do well enough to raise a family, own a home, send your kids to college, and put a little away for retirement. The defining issue of our time is how to keep that promise alive. No challenge is more urgent. No debate is more important. We can either settle for a country where a shrinking number of people do well while a growing number of Americans barely get by, or we can restore an economy where everyone gets a fair shot, everyone does their fair share, and everyone plays by the same set of rules. He further argued that What is at stake are not Democratic values or Republican values, but American values. And we have to reclaim them (The White House, 2012). In December 2013, President Obama made it clear that the combined trends of increased inequality and decreasing mobility pose a fundamental threat to the American dream, the way of life, and what Americans stand for around the globe (The White House, 2013).

What set the United States apart in class warfare is that at this time, it has actively introduced policies disproportionately benefiting the wealthy by cutting income tax and capital gains tax rights for the richest. The reason for this inequality gap might then lie in America's main quality – Optimism. Senator Marco Rubio argues that the United States has never been a nation of haves and have-nots, but a nation of haves and soon to have – a people who have made it and a people who will make it (Rubio, 2011). To buttress his point and make it still relevant for today, (Pew Research, 2022) reveals that 61% of Americans believe that the gap between the rich and everyone else has increased in the last 10 years preceding the research. And 69% believe that the system unfairly favor the wealthy; roughly half of the people (46%) say economic conditions are hurting them and their families; about 7 in 10 Americans believe that the system is unfair and generally favours powerful special interests. Nevertheless, 60% also believe that most people who work hard enough can make it. This shows that Americans' optimism can lead them to act against their own best interest.

Warren Buffett was right on class war, and taxes on the rich. In his word "There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning". He made this statement as he was wondering why Washington continued to cut taxes for people in his income bracket when the country was broken. Warren Buffett argued that he is sure the average American pays a higher tax rate than him. His low tax rate is a consequence of the fact that the largest parts of his income like that of most wealthy Americans, came from capital gains and investment dividends that have been taxed at 15 percent since 2003. On the other hand, a receptionist's salary was taxed twice that rate after Federal Insurance Contributions Act (FICA) is included (Obama, 2006). The

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government is not in any way good at allowing the free market which is the best mechanism ever devised to put resources to their most efficient and productive use. Neither is the market that good in making sure that the wealth that was produced is fairly and widely distributed so that some of the wealth can be reinvested in education for the next generation to have a fair chance, and to maintain the infrastructure, as well as providing some sort of safety net for those who lost out in the market economy.

Senator Bernie Sanders is considered a legend in the class warfare battle for his relentless long-time campaign. Bernie argued that government is always too quick to support the already wealthy Americans at the expense of the poor and vulnerable. He said that the government's response is often:

- Money for childcare for working-class kids? "Can't afford it!"
- Money to make health care available to all as a right? "Can't afford it!"
- Money for private equity giants? Sure, you got it!

This is what class warfare is all about (Sanders, 2022). Some would argue that Capitalism is the worst deal for everyone, as the wealthy Americans' success depends on massive inequality while raiding public taxes to pay for their tax breaks. The United States is amid the most severe class warfare the country has seen since the 1920s. Even though the executives of corporate America are very well off, they still make the lives of their employees miserable. So, what goes on right now if workers are in a union and they go out on strike because of poor welfare, the business executives are very often not ready to negotiate with the workers or the union. What the executives would rather say is, you are free to go out on strike, but I'm going to bring in permanent replacements to take your jobs at lower wages. Therefore, workers would now have two problems – the first one being their basic American right to strike would be taken away from them. And the second is that they would now be afraid to fight for their right. They would say, if I stood up for my rights, and I don't want to accept a cut in my salary if I go out on strike, then I'm going to lose my job completely. So, I can't go out on strike, therefore I must accept what the boss gives me. What is often happening in these companies is that the executives will engage in vigorous tactics and make a strenuous effort, using all their tools and resources at their disposal including a $5000 an-hour consultant, if need be, to fight the employees or union into submission. If by any chance, one union managed to bring the executives to the negotiation table, what the union would get from the executives is intimidation.

An unexpected consequence of the coronavirus outbreak was the rise of populism – emphasizing the idea of "the people" and often juxtaposing this group against "the elite". This anti-establishment sentiment became more pronounced as a new social economy class was created or identified during the pandemic. The division was between those of us who can keep our jobs and work from home and others who are losing their jobs or confronting the dangers of the virus because they have no choice but to face customers — health care workers, delivery services, super and hyper market cashiers, etc. The social media and private messaging groups are full of complaints and lamentation about the fact that while some people are getting coughed on by strangers, their corporate management has retreated to their summer houses. To protest against such working conditions, Whole Foods, Amazon, and Instacart workers went on strike in April 2020 demanding that employers should give their employees double their normal wages as "hazard pay" for working on the frontlines during a pandemic (Beckett, 2020; Dzieza, 2020; Rodrigo, 2020). This job dissatisfaction led to what has become known as "the Great Resignation" or "the Great Reshuffle", leading to almost 50 million Americans quitting their jobs in 2021, hoping for higher pay, more benefits, or better career options elsewhere. Since grass is not necessarily always greener on the other side, a sizeable chunk of those who left their previous jobs is now feeling quitter's remorse. According to a recent survey from the job search portal (Joblist, 2022), one in four (26%) workers who quit their previous job say that they regret the decision, citing a variety of reasons for their second thoughts. Of those who found a new job after quitting, 42% say that their new job has not lived up to their expectations, and another 9% cited bad culture and management at their new company.

Differences in human capital investment by parents in children play a major role in generating cross-section inequality (Benabou, 1994; Coady & Dizioli, 2017). The effect of human capital development as a panacea for closing the gap of income inequality has been demonstrated by some scholars including (Bonneau & Grobon, 2022; Seefeldt, 2018). To eliminate absolute inequality and reduce relative inequality (Cooper, 1998) evaluated the effect on the aggregate income of human capital funding transfers across neighborhoods. Meanwhile, too often the debate about inequality is oversimplified, relying on summary measures of inequality and incomplete data that provide a partial – sometimes misleading picture, both in the categories of inequality to consider and the people affected (see figure 2).

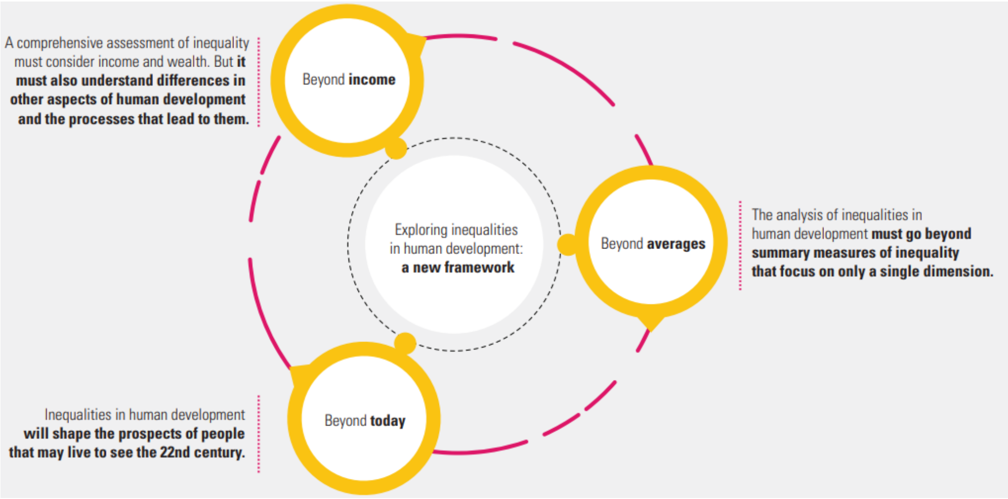

Figure 2. Thinking about inequalities
Source: UNDP (2019)

According to the Survey of Consumer Finances, the gap in wealth between families with children at the bottom and the top of the distribution has been growing steadily over the past 32 years. Children from poor family backgrounds are often unable to afford quality education, hence they are at a disadvantage position when they try to secure work. These children are expected to earn less than their counterparts from higher-income families when they enter the labour market. The advancement of technology such as machine learning, and artificial intelligence are most likely to leave behind this entire group of people — creating the spectra of an uncertain future under these shifts.

While classes may be de-aligned at the political level, they are highly aligned in other ways, and the lower socioeconomic classes often get treated in the same terribly biased manner. A study conducted by Yale University researchers found that job seekers are judged by their class in mere seconds and those who are assumed lower status are less likely to be hired and more likely to be low paid regardless of what their resume says. The researchers looked at five different studies to make this determination. One found that people could fairly accurately distinguish class status after hearing just seven words of that person's speech. Another found that interviewers would assign people with lower socioeconomic status lower salaries and bonuses and see them as less of a good fit for a position before even reading about their qualifications or experience. That is all just simply based on the way that they talk. Michael Krauss Assistant Professor of organizational behavior at the

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Yale School of Management said that "We rarely talk explicitly about social class, and yet, people with hiring experience infer competence and fitness based on socioeconomic position estimated from a few seconds of an applicant's speech… despite what these hiring tendencies may suggest, talent is not found solely among those born to rich or well-educated families" (Kraus, Rucker, & Richeson, 2017) — this circumstance, therefore, limits economic mobility and perpetuates inequality.

Another research shows that despite leftward shifts in public attitudes towards issues of racial equality, racial framing decreases for race-neutral progressive policies. Generally, the class frame successfully increases support for progressive policies across racial and political subgroups. Furthermore, class framing enjoyed equal support to race framing even among racial minority groups (English & Kalla, 2021). Since racism is real and many people hold both subtle and unsubtle racist views, this line of argument worked to undermine support for social welfare policies. Let us just think for a second and ask why the Black-White wage gap is just as large as it was in 1950 under the Truman administration. Indeed, the gap was significantly closed particularly in the 1960s, which was driven in part by the civil rights legislation, an increasing rate of unionization, lots of solid blue-collar jobs, and most significantly a change to minimum wage law that made sure its provisions applied to all professions that were historically black professions, which had originally been left out. Unfortunately, all these gains have been overturned since the 1980s – Southern Strategy, Reaganomics, and all Republicans' extraordinarily successful efforts to attack the new deal in part again by racializing the social safety net. According to the Survey of Consumer Finances conducted by (Federal Reserve, 2021), the gap between Black and Hispanics with their White counterpart is historically too large and it does not appear that any effort is been made to close this gap (See figure 3).

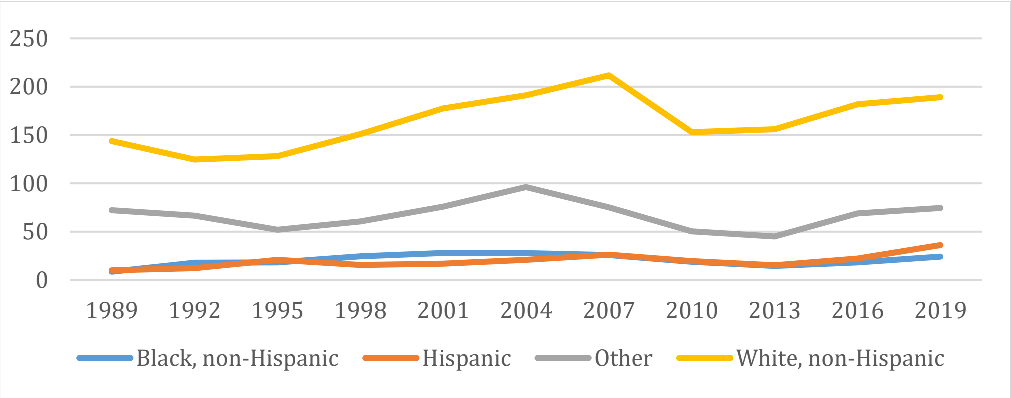

Figure 3. Net worth by race or ethnicity (US$ Thousands)
Source: Federal Reserve (2021)

Parents' incomes and circumstances affect their children's health, education, and income. Health gradients – the disparities in health across socioeconomic groups – often start before birth and can accumulate at least up to adulthood, if not counteracted. Children born to low-income families are more prone to poor health and lower education. Those with lower education are less likely to earn as much as others, while children in poorer health are more likely to miss school. And when children grow up, if they partner with someone who has similar socioeconomic status (as it often happens in assortative mating), inequalities across generations can persist (UNDP, 2019).

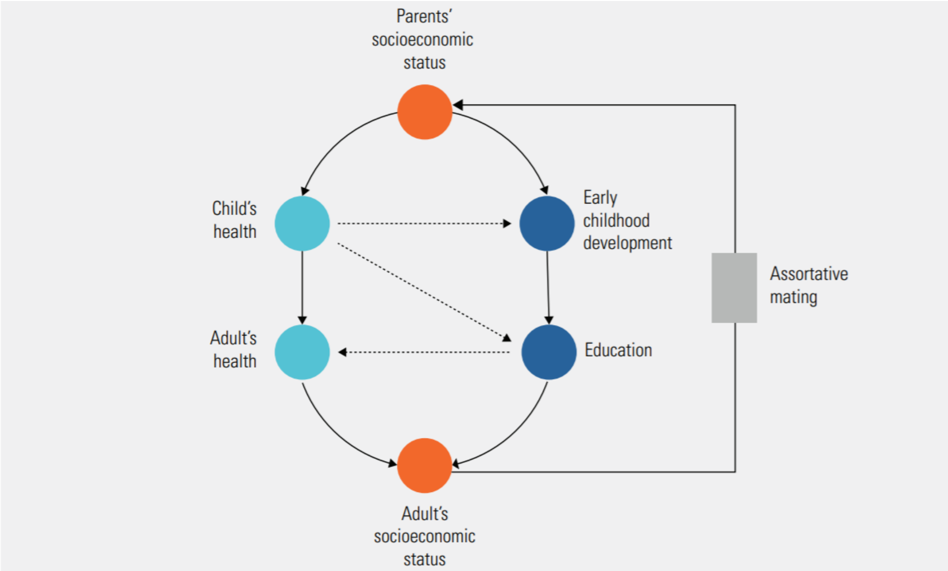

Figure 4. Education and health along the lifecycle[1]
Source: UNDP (2019)

For many families and individuals, the cornerstone of economic opportunity is higher education. The premium in lifetime earnings because of higher education has increased over the past few decades, reflecting greater demand for college-educated workers. As illustrated in figure 5, the median annual earnings of full-time workers with a bachelor's degree are 318 percent higher than the median for those with only a high school diploma. Meanwhile, the median annual net earnings for a high school diploma holder are 256 percent higher than that of someone with no high school diploma.

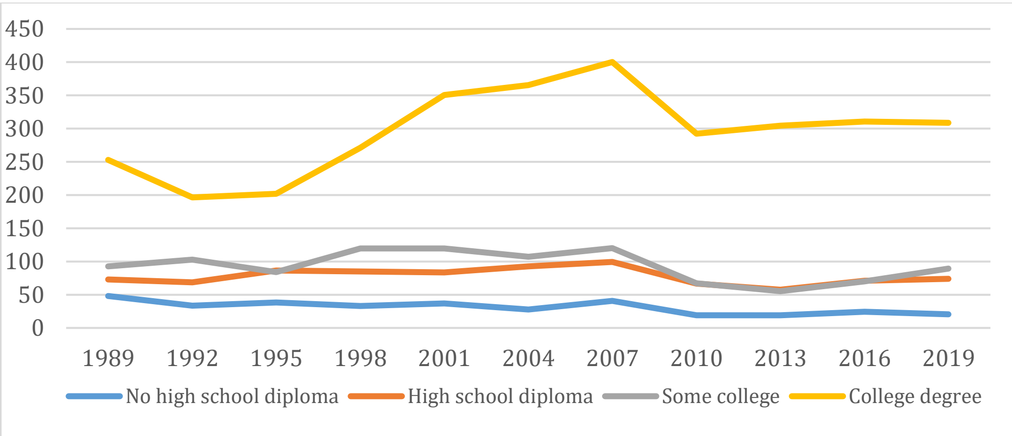

Figure 5. Net worth by education of reference person (US$ Thousands)
Source: Federal Reserve (2021)

Higher education has been and remains a compelling source of economic opportunity, but the large and growing burden of paying for it has made it harder for many young people to take advantage of the opportunity higher education offers. This unequal access to higher education is attributed to parental income. Breaking the shackles of poverty has

[1] Note: The circles represent different stages of the lifecycle, with the orange ones resenting final outcomes. The rectangle represents the process of assortative mating. The dashed lines refer to interactions that are not described in detail. A child's health affects early childhood development and prospects for education. For example, an intellectually disabled child will not be able to benefit from early childhood development and education opportunities in the same way as a healthy child. Education can also promote a healthy lifestyle and convey information on how to benefit from a given healthcare system if needed (Cutler & Lleras-Muney 2010). Source: Human Development Report Office, adapted from Deaton (2013a).

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thus become even harder due to rising college costs. The SCF data shows that most students and their families are having a harder time affording college, therefore resulting in loans in securing higher education school fees.

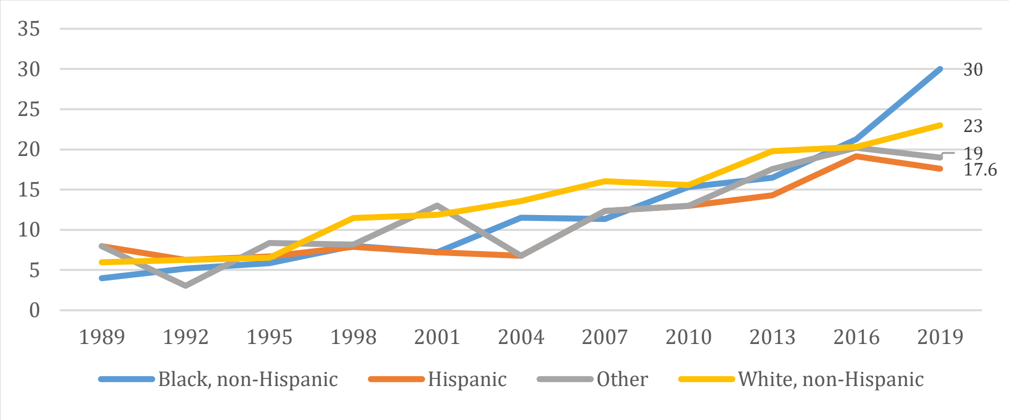

Figure 6. Median educational installment loan (US$ Thousands)
Source: Federal Reserve (2021)

The data in this section of this study shows that any comprehensive assessment of inequality must consider income and wealth. Low income is associated both with low life evaluation and low emotional well-being (Kahneman & Deaton, 2010).

Methodology

This is an empirical analysis aiming to look beyond income and inequalities in human development. The paper is made of quantitative research, carried out through data analysis with a ballpark method such as Gini index measures, Equivalence Adjustment of Income, and Mean Log Deviation (MLD).

Data are based on primary household survey data obtained from government statistical agencies – United States Census Bureau, Current Population Survey, 1968 to 2021 Annual Social and Economic Supplements (CPS ASEC). Income is defined as household disposable income in a particular year. It consists of earnings, self-employment, capital income, and public cash transfers.

The Gini index measures the difference between the Lorenz curve (the observed cumulative income distribution) and the notion of the perfectly equal income distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual. The Gini coefficient is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality. Put it another way, the Gini index ranges from 0.0, when all families (households) have equal shares of income, to 1.0, when one family (household) has all the income and the rest none.

The Gini index is statistically defined as follows:

$$G(x;\mu) = \frac{\Delta}{2\mu} = \frac{E(|x_1 - x_2|)}{2\mu} = \frac{\sum_{i-1}^{N} \sum_{j-1}^{N} |x_1 - x_2|}{2\mu n^2}$$

where Δ is the well-known Gini's mean difference measure, x_i is the wealth or income of person i, and there are n persons. When only one income increases, the mean increases, and so is the contribution of each distance between all other incomes decreases.

When the income (or wealth) distribution is given as a continuous probability density function p(x), the Gini coefficient is again half of the relative mean absolute difference:

$$G(x;\mu) = \frac{1}{2\mu}\int_{-\infty}^{\infty}\int_{-\infty}^{\infty} p(x)p(y)\,|x-y|dx\,dy$$

here $\mu = \int_{-\infty}^{\infty} xp(x)\,dx$ is the mean of the distribution, and the lower limits of integration may be replaced by zero when all incomes are positive.

Another way to measure income inequality is to use an equivalence-adjusted income estimate that takes into consideration the number of people living in the household and how these people share resources and take advantage of economies of scale. For example, the money-income-based distribution treats an income of $30,000 for a single-person household and a family household similarly, while the equivalence-adjusted income of $30,000 for a single-person household would be more than twice the equivalence-adjusted income of $30,000 for a family household with two adults and two children. The equivalence adjustment used here is based on a three-parameter scale that reflects:

1) On average, children consume less than adults.
2) As family size increases, expenses do not increase at the same rate.
3) The increase in expenses is larger for a first child of a single-parent family than for the first child of a two-adult family.

The three-parameter scale is calculated in the following way:

- One and two adults: scale = (number of adults)$^{0.5}$
- Single parents: scale = (number of adults + 0.8*first child + 0.5*other children)$^{0.7}$
- All other families: scale = (number of adults + 0.5*number of children)$^{0.7}$

Another popular measure in measuring inequality is the Mean Logarithmic Deviation of income (MLD). It is mostly used in statistics and econometrics to measure income inequality. The MLD is zero when everyone has the same income and takes on larger positive values as incomes become more unequal, especially at the high end.

The MLD of household income has can be defined as:

$$MLD = \frac{1}{N}\sum_{i-1}^{N} In\frac{\bar{x}}{x_i}$$

where N is the number of households, x_i is the income of household i, and $\bar{x}$ is the mean of x_i. Equivalent definitions would then be:

$$MLD = \frac{1}{N}\sum_{i-1}^{N}(In\bar{x} - Inx_i) = In\bar{x} - \overline{Inx}$$

Where $\overline{Inx}$ is the mean of ln(x). The last definition shows that MLD is nonnegative, since $In\bar{x} \geq \overline{Inx}$ by Jensen's inequality[2]. MLD has been called "the standard deviation of ln(x)" (SDL) by (Haughton & Khandker, 2009), but this is not correct. The SDL is:

$$SDL = \sqrt{\frac{1}{N}\sum_{i-1}^{N}[\![(Inx_i - \overline{Inx}\,]\!])^2}$$

and this is not equal to the MLD. For example, for the standard lognormal distribution, MLD = 1/2 but SDL = 1.

[2] In mathematics, Jensen's inequality, named after the Danish mathematician Johan Jensen, relates the value of a convex function of an integral to the integral of the convex function. It was proved by Jensen in 1906, building on earlier proof of the same inequality for doubly differentiable functions by Otto Hölder in 1889.

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Findings

The three inequality measures in this study revealed quite similar patterns. The below figure shows the time series of the United States household income distribution, by Gini-coefficient from 1968-2020. The first significant increase in inequality was registered during the 1980s, and remained relatively stable from 1989 to 1992, before having a big jump in 1993 according to the Gini coefficient and continued a smaller increasing trend in the studied period. In the year 2020, the household income distribution was 0.47. This figure was at 0.35 in 1968, which indicates an increase in income inequality over the past 52 years by 33.6%.

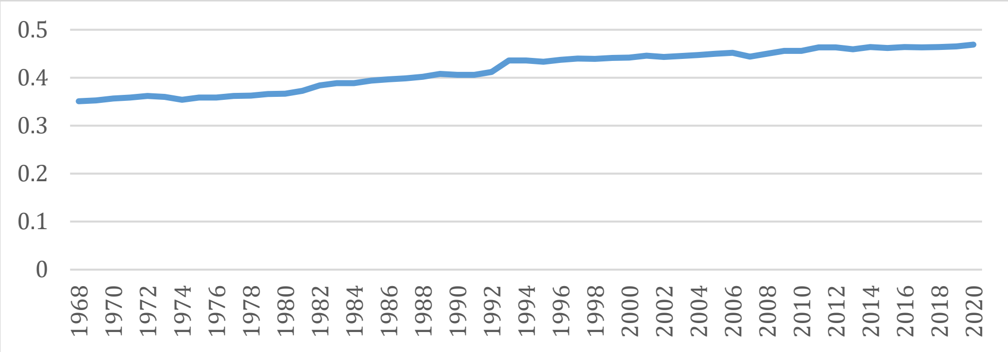

Figure 7. Gini index of income inequality (1968-2020)
Source: United States Census (2021)

The index shows that the distribution of income and wealth in the United States has been widening steadily for at least the last seven decades, to a greater extent than in most advanced economies. The country is also lagging when compared to other members of OECD countries.

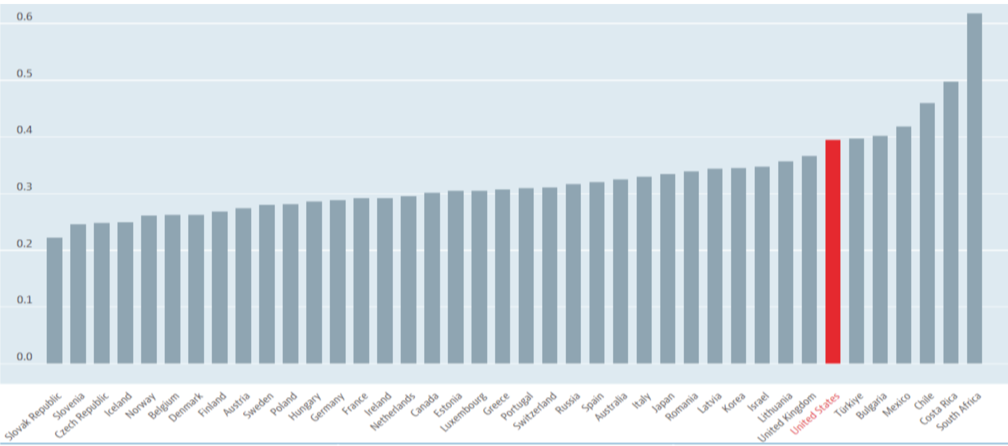

Figure 8. Comparison of the Gini coefficient in OECD (2019)
Source: OECD (2022)

The Equivalence Adjustment of Income method of examining income inequality also shows growing income inequality during the analyzed period. As revealed in the below chart, the aggregate share of income held by the households in the lowest fifth declined by 39% in 2020 relative to 1967, while that of the highest quintile of the distribution experienced an increase of 21% in their share of aggregate income from 42.1 in 1967 to 50.8 in 2020.

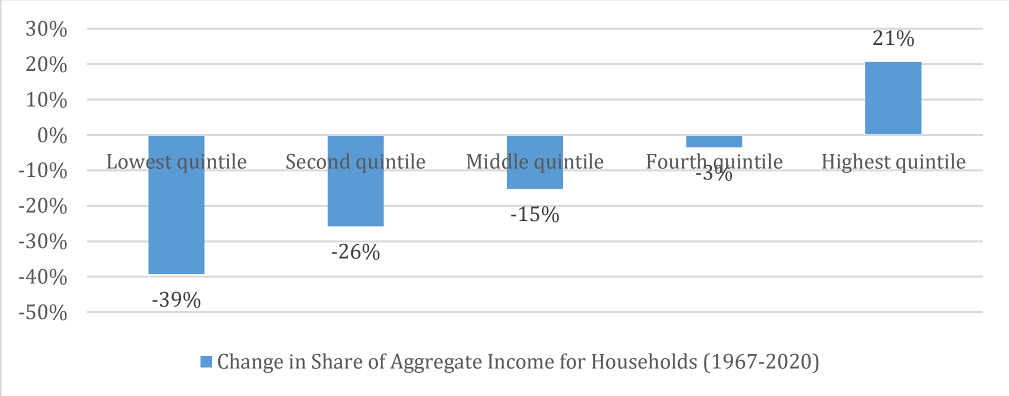

Figure 9. Change in Share of Aggregate Income for Households (1967-2020)
Source: United States Census (2021)

Unlike the Gini which shows a 33.6% increase in the analyzed period, the Mean Logarithmic Deviation indicates that household income inequality increased significantly by 126% from 1968 to 2020. Just like in the Gini coefficient, Mean Logarithmic Deviation also shows 1980 as the first period of a significant increase in inequality with a 9.4% increase compared to 1970. By continuing with a 10-year interval, the inequality gap further increased to 18.8% in 1990, 29.8% in the year 2000, and 23.2% in 2010. Meanwhile, the speed of growth decreased, hence registering only a 4.1% growth in inequality in 2020.

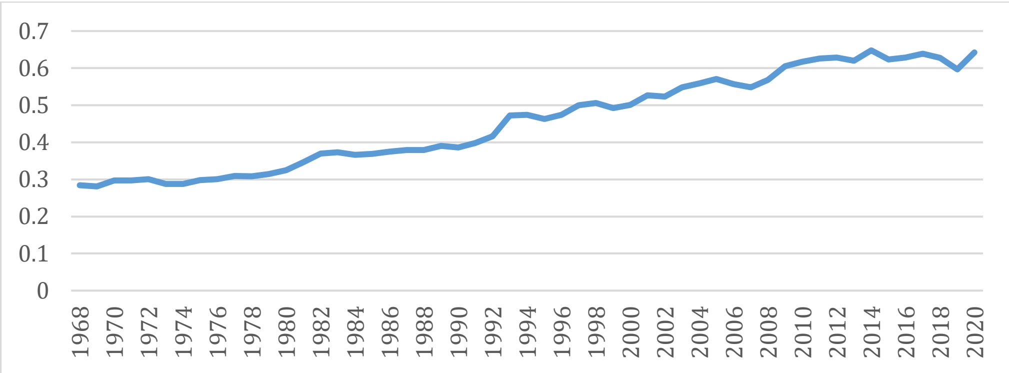

Figure 10. Mean logarithmic deviation of income
Source: United States Census (2021)

In other words, the Mean Logarithmic Deviation index is the only measure that respects both the principle of transfer and the principle of monotonicity in distance. Whether we are considering the Gini coefficient, the Equivalence Adjustment of Income method, or the Mean Logarithmic Deviation, the bottom line is that the income gap is continuing to be wider.

Conclusions

The American Dream has always been about the prospect of success, but 10 decades ago, the phrase meant the opposite of what it does now. In its original form, the American Dream was a dream of equality, justice, and democracy for the nation. But now, the American dream has been constrained by income and wealth inequality, hence creating class warfare. Therefore, it would appear that policymakers do not want the American population that is capable of critical thinking – hence a disparity of opportunities and wealth. This might explain why being able to afford basic needs and live a meaningful life

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in the United States is called the American dream because you must be asleep to believe it.

The choice of the measurement method of this study does not make a difference since the rise in income or wealth inequality in the United States is significant, and no economic indicators appear promising. Only those in the highest quintile of the distribution experienced an increase in their share of aggregate income. Hence, economic inequality, whether measured through the gaps in income or wealth between poorer and richer households, continues to widen.

It should be stated that money may not buy happiness, but it sure makes dreams come true. Tackling high inequalities will create opportunities for all. But in order for the government to be able to help or support those below the poverty line, the government would have to first revise the current poverty guideline measure, so that it would be able to identify those that truly need its support. The current poverty line for a family of 4 places the family budget at $27,750 (ASPE, 2022) and assumed that 1/3 of the household income is spent on food. The challenge with this ratio is that it is based on 1963 statistics. However, today reality is that childcare and housing account for the biggest consumption expenditure of American families. And the poverty line does not take any of these two items into account.

Since factors beyond an individual's control have more to do with someone being rich or poor, then hard work and determination are no longer a guarantee of success for most people. Government, therefore, needs to use every tool and mechanism at its disposal in addressing the gap between the rich and everyone else. Tools that government can deploy include increasing minimum wages to keep pace with inflation, increasing workers' bargaining power by legislating on unionization, expanding medicare, and a one-year extension of unemployment benefits for those who have been out of work for a long time.

Given that for many families and individuals, the cornerstone of economic opportunity is higher education, public funding of education to the university level would be the most tangible investment the government can make. Such a measure from the States and the Federal government would help offset the advantages some households have in resources available for children. Access to free or affordable education has been used in China and Europe as a poverty elevation mechanism and has produced visible results. Hence, higher education remains a compelling source of economic opportunity since those with lower education are less likely to earn as much as others. To achieve the American dream, education from preschool to graduate school must be a fundamental right for all and not a privilege for the few.

As a further study, the author would be researching "The relationship between human capital development and income inequality" and "Education, Social Mobility and Economic Growth".

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