

Macroeconomic Data Activity 3

Income Inequality and Real Median Household Income

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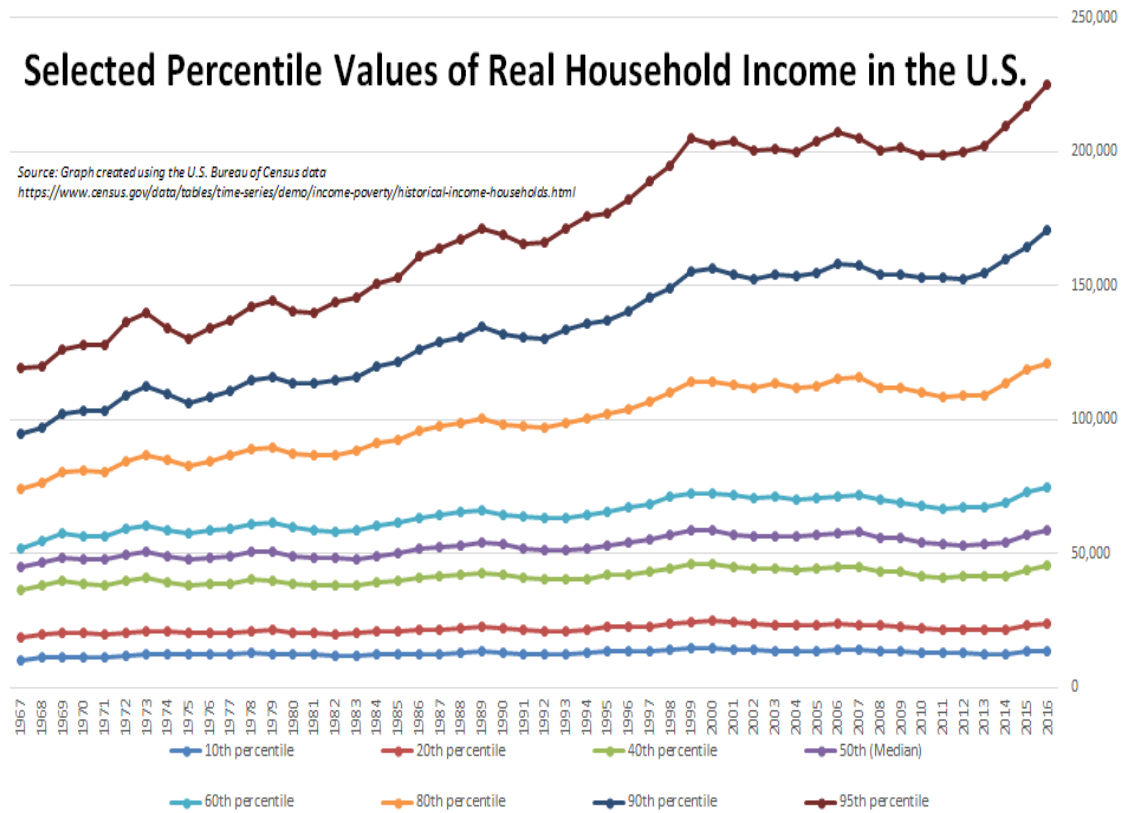
Student learning outcomes are learning:

1. How the U.S. ranks against other countries in income inequality measured by the Gini coefficient using the Central Intelligence Agency (CIA) data
2. How income inequality has changed in the U.S. based on the Gini coefficient using data from the FRED database
3. About income inequality measured by percentiles of household income
4. About trends in the real median household income
5. About the real median household income by race

Steps:

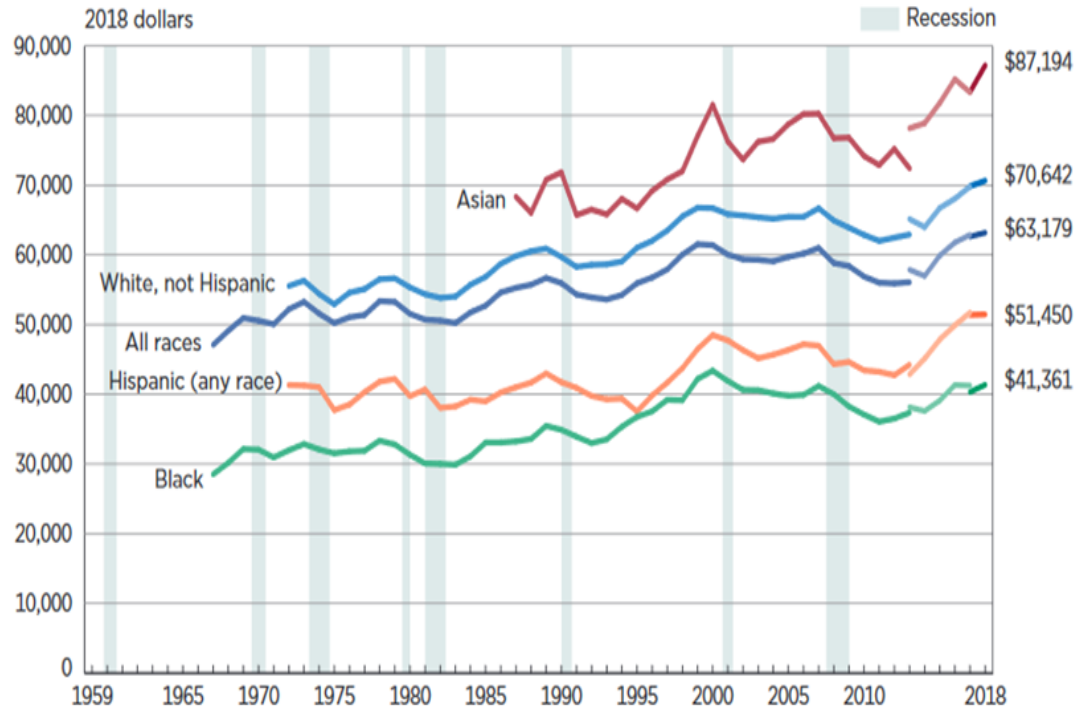
1. How the U.S. ranks against other countries in income inequality measured by the Gini coefficient using the Central Intelligence Agency (CIA) data:
 - i) Find the Gini coefficient data on the Central Intelligence Agency (CIA) website. You can either Google “cia gini coefficient data” or go to <https://www.cia.gov/the-world-factbook/field/gini-index-coefficient-distribution-of-family-income/country-comparison>. Note that this data has a limitation: the date of information varies across countries.
 - ii) Give an example of a country that has high income inequality.
 - iii) Give an example of a country that has low income inequality.
 - iv) Answer Question 1.
2. How has income inequality changed in the U.S. based on the Gini coefficient using data in the FRED database:
 - i) Go to fred.stlouisfed.org. Find “Income Gini Ratio for Households by Race of Householder, All Races”. Note that there is a small difference between this FRED data and the CIA data used in Question 1.
 - ii) Answer Question 2.
3. About income inequality measured by percentiles of household income:

- i) Look at the graph titled “Selected Percentile Values of Real Household Income in the U.S.” based on the U.S. Census Bureau data.



- ii) What do you find interesting about this graph?
4. About trends in the real median household income:
- In FRED, find “Real Median Household Income in the United States.”
 - Answer Questions 3, 4 and 5.
 - Has the real median household income increased, decreased or stayed the same over the last thirty years? If you conclude that it has changed, has it changed a lot in your opinion?
5. About the real median household income by race:
- Look at the graph showing the real median household income by race and Hispanic origin.

Figure 2.
Real Median Household Income by Race and Hispanic Origin: 1967 to 2018



ii) Answer Questions 6, 7, and 8.

QUESTIONS

1. How does the U.S. rank among other countries based on the Gini coefficient?
 - a) The U.S. is approximately among 25% of countries with the highest income inequality.
 - b) The U.S. is around the median in the ranking of countries based on income inequality.
 - c) The U.S. is approximately among 25% of countries with the lowest income inequality.

2. What has happened to income inequality measured by the Gini coefficient in the U.S. during the past fifty years?
 - a) Income inequality has decreased.
 - b) Income inequality has not changed.
 - c) Income inequality has increased.

3. Which line in the graph titled “Selected Percentile Values of Real Household Income in the U.S.” corresponds to the real median household income that you found in FRED?

- a) Light blue line
 - b) Purple line
 - c) Green line
 - d) Brown line
4. What is the primary source of the U.S. real median household income data?
- a) Federal Reserve Economic Data database
 - b) Census Bureau
 - c) Bureau of Economic Analysis (BEA) in the Department of Commerce
 - d) Bureau of Labor Statistics (BLS) in the Department of Labor
5. The current value of the U.S. real median household income is:
- a) \$7,500
 - b) \$37,500
 - c) \$67,500
 - d) \$167,500
6. Which line in the graph titled “Real Median Household Income by Race and Hispanic Origin: 1967 to 2018,” corresponds to the real median household income that you found in FRED?
- a) Dark blue line
 - b) Light blue line
 - c) Orange line
 - d) Green line
7. The real median household income for black households is about two thirds of the real median household income for white households and a half of the real median income for Asian households.
- a) True.
 - b) False.
8. From 2000 to 2018, the real median household income for black households:
- a) Substantially decreased.
 - b) Stayed about the same.
 - c) Substantially increased.