

Will Inequality Continue to Rise? Forecasting Income Inequality in the United States

Marina Gindelsky

Bureau of Economic Analysis

Paper Abstract:

Recently, an idea has emerged that "the rich are getting richer and the poor are getting poorer". Using historical data from the CPS, this paper performs pseudo-out-of sample (2011-2014) and true out-of-sample (2015-2017) forecasts for eight measures of income inequality. While measures of human capital attainment and labor force participation often enhance performing models, the out-of-sample forecasts differ between models by <6% for all variables, and by <2% for 4/8 measures. Though the top 1% share of income may continue to rise (slowly) for households, the top 0.1% income share and inequality within the top 1% are predicted to fall.