

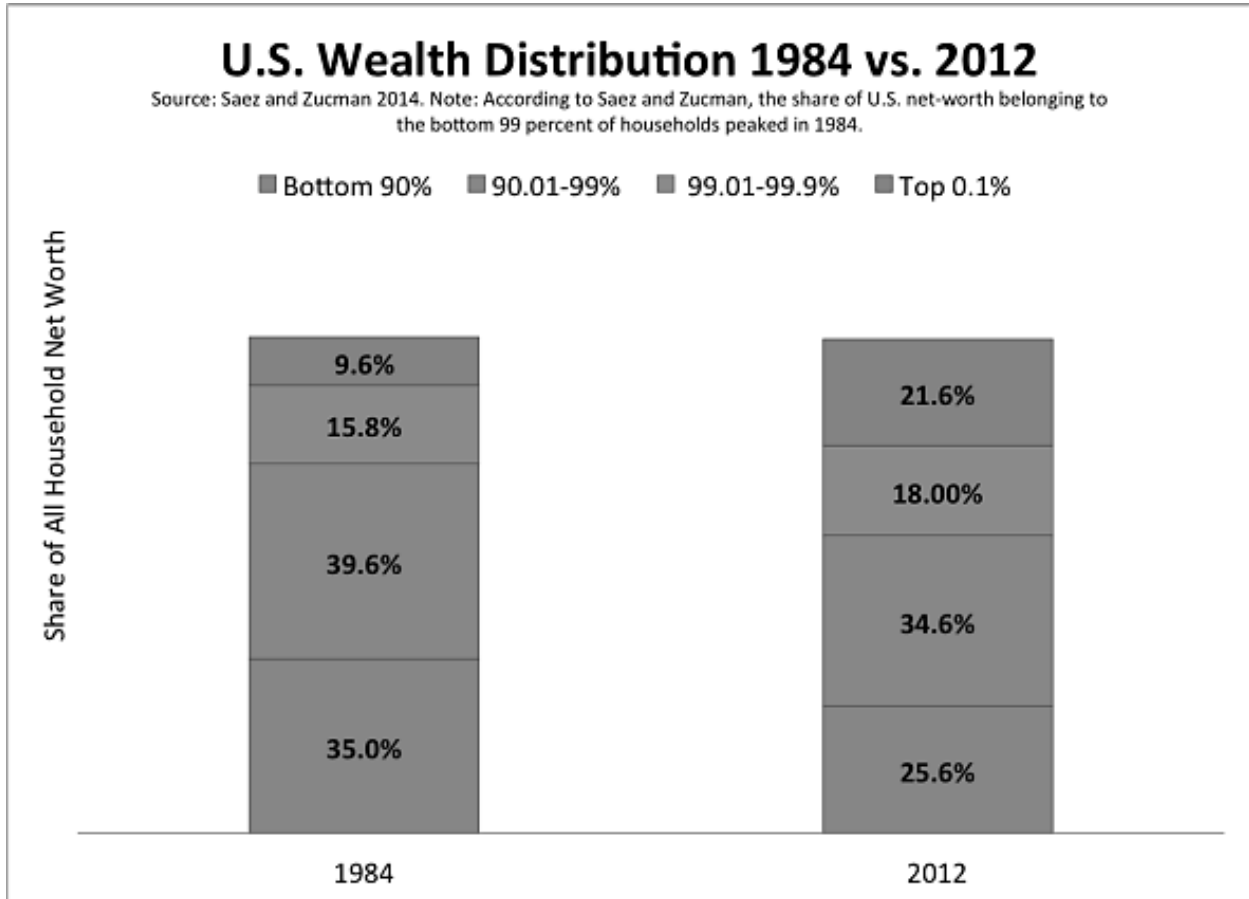
## 2.6 Wealth Inequality in America

### Focus Question

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### Do Now

1. Analyze the following chart, then complete the questions below.



I see...	I think...	I wonder...

Main idea: \_\_\_\_\_

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Wealth Inequality in America

**Document 1:**

**Average Americans Grow Poorer as U.S. Per Capita Wealth Reaches New High**

*America is richer than it has ever been in human history, according to a study by the Federal Reserve.*

By **EW News Desk Team, 30 September 2014, Economy Watch**

According to the Federal Reserve's measurement of households' total assets, American total wealth per person soared to over \$309,000 by September 2014. In total, Americans own over \$95 trillion in assets.

But while America as a whole is getting wealthier, the average American's share of those assets is declining. Despite a near doubling of total wealth in America over the past ten years, the typical American's net worth has actually fallen by over a third.

A study by economists at the University of Michigan showed that in 2013 the median American household saw its total assets fall by 36% from 2003. Over the same time period, the total wealth in the United States grew by over 80%.

With total wealth growing and median wealth declining, the average American's nest egg is getting smaller and smaller despite greater wealth per person in the country. A study from earlier this year showed that an American's median net worth was just \$45,000. At the same time, the average millionaire in the United States has \$50 million in total assets.

1. A. Define "per capita:" \_\_\_\_\_  
B. What might be a problem when using "per capita" to examine something like wealth?  
\_\_\_\_\_  
\_\_\_\_\_
2. How is it possible for per capita wealth to be rising, while the average American's net worth is falling? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. What is the main idea of Document 1? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Document 2:**

**Wealth of richest 400 Americans surges to \$2.29 trillion**

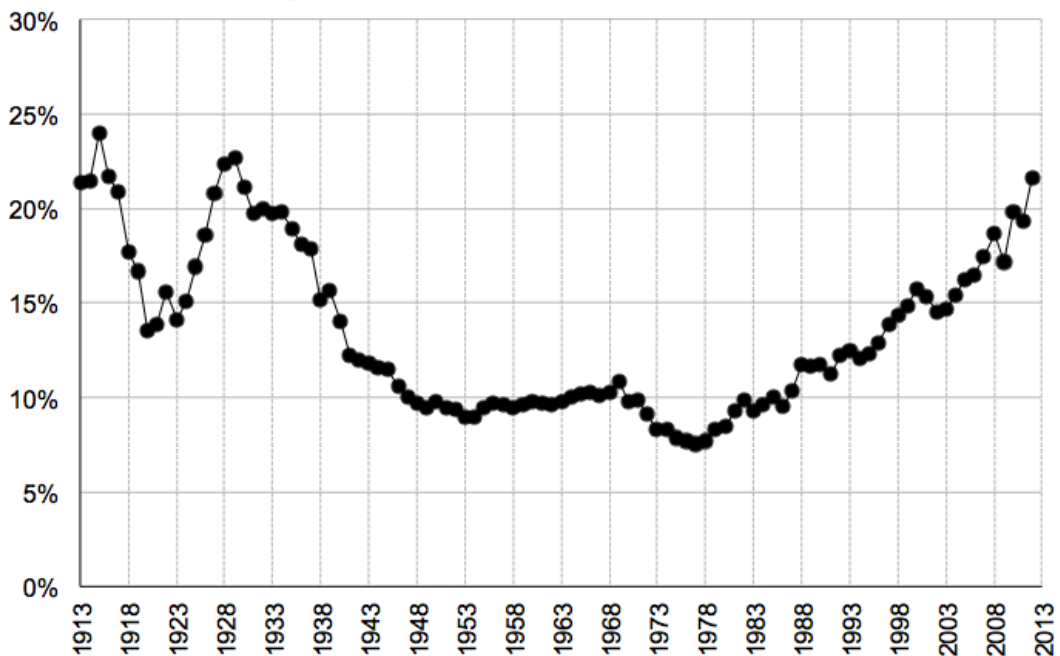
***By Andre Damon, 6 October 2014, World Socialist Website***

The wealthiest 400 people in the United States had their combined net worth grow thirteen percent to \$2.29 trillion this year, amidst a surging stock market and record corporate profits. The figures come from the Forbes 400 list of the wealthiest Americans. The average net worth of the Forbes 400 hit \$5.7 billion, up by \$700 million over the past year. As *Forbes* noted last week, the net worth of these 400 individuals is “about the same as the gross domestic product of Brazil, a country of 200 million people.”

4. A. What is the average wealth of the 400 richest Americans, according to Forbes? (Write out the whole number, with zeros): \_\_\_\_\_
- B. How much did the average wealth of the 400 richest Americans go up from 2013 – 2014? (Write out the whole number, with zeros): \_\_\_\_\_
- C. How much are the wealthiest 400 Americans worth in total? (Write out the whole number, with zeros): \_\_\_\_\_
5. What is the main idea of Document 2? \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Figure A:**

**Top 0.1% wealth share in the U.S., 1913-2012**



6. What is the main idea of Figure A?

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7. How did the Great Recession (in 2008) affect the wealth of the richest 0.1%?

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8. When was the last time that the richest 0.1%'s share of wealth was as high as it is now?

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**Document 3:**

## Wealth inequality in America: It's worse than you think

Chris Matthews in Fortune, OCTOBER 31, 2014, 11:06 AM EST

Economists Emmanuel Saez and Gabriel Zucman have dedicated their careers to compiling and analyzing wealth and income data. Their research shows that in America, the wealthiest 160,000 families own as much wealth as the poorest 145 million families, and that wealth is about 10 times as unequal as income.

They argue that the drastic rise in wealth inequality has occurred for the same reasons as income inequality; namely, the trend of making taxes less progressive since the 1970s, and a changing job market that has forced many blue collar workers to compete with cheaper labor abroad. But wealth inequality specifically is affected by a lack of saving by the middle class. Stagnant wage growth makes it difficult for middle and lower class workers to set aside money. In addition, Saez and Zucman argue that the trend could also be a product of the ease at which people are able to get into debt, writing:

“Financial deregulation may have expanded borrowing opportunities (through consumer credit, home equity loans, subprime mortgages) and in some cases might have left consumers insufficiently protected against some forms of predatory lending. In that case, greater consumer protection and financial regulation could help increase middle-class saving. Tuition increases may have increased student loans, in which case limits to university tuition fees may also have a role to play.”

So, why should we care that wealth inequality is so much greater than even the historic levels of income inequality? While inequality is a natural result of competitive, capitalist economies, there's plenty of evidence that shows that extreme levels of inequality is bad for business. For instance, retailers are once again bracing for a miserable holiday shopping season. Unless your business caters to the richest of the rich, opportunities for real growth are scarce.

Furthermore, there's reason to believe that such high levels of inequality can have even worse consequences. The late historian Tony Judd addressed these effects in *Ill Fares the Land*, a book on the consequences of the financial crisis, writing:

“There has been a collapse in intergenerational mobility: in contrast to their parents and grandparents, children today in the UK as in the US have very little expectation of improving upon the condition into which they were born. The poor stay poor. Economic disadvantage for the overwhelming majority translates into ill health, missed educational opportunity, and—increasingly—the familiar symptoms of depression: alcoholism, obesity, gambling, and minor criminality.”

In other words, there's evidence that rising inequality and many other intractable social problems are related. Not only is rising inequality bad for business, it's bad for society, too.

9. According to the article, what are **FIVE** possible reasons for growing wealth inequality?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

10. According to the article, what are some possible consequences of growing wealth inequality?

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11. Do you think we should try to shrink the wealth gap? If so, how? If not, why not?

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**Figure B:**

<b>Median Value of Assets for Households: 2011</b>		
<b>Education of Householder</b>	<b>Net Worth</b>	<b>Net Worth (Excluding Equity in Own Home)</b>
No High School Diploma	9,800	2,285
High School Graduate Only	43,945	7,940
Some College, No Degree	49,082	13,871
Associate's Degree	56,512	15,000
Bachelor's Degree	147,148	62,826
Graduate Degree	240,750	116,493

Source: U.S. Census Bureau

12. Fill out this See/Think/Wonder chart for Figure B:

<b>I see...</b>	<b>I think...</b>	<b>I wonder...</b>

13. What is the main idea of Figure B? \_\_\_\_\_

**Figure C:**

<b>Median Value of Assets for Households: 2011</b>		
<b>Race and Hispanic Origin of Householder</b>	<b>Net Worth</b>	<b>Net Worth (Excluding Equity in Own Home)</b>
White	89,537	24,044
White (Not Hispanic)	110,500	33,408
Black	6,314	2,124
Asian	89,339	29,339
Hispanic Origin	7,683	4,010
Not of Hispanic Origin	84,680	22,280
Other	19,023	7,113

Source: U.S. Census Bureau

14. According to Figure C, how much of each racial group's wealth comes from their **home**?

Whites	Blacks	Asians	Hispanics

15. What is the main idea of Figure C? \_\_\_\_\_

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**Document 4:**

## The corrosive impact of America's growing wealth gap

Aimee Picchi, CBS News Moneywatch, February 18, 2015

The idea that everyone has a chance to get ahead in life is a defining belief of American life. But the more complicated reality is that a family's wealth has a huge impact on how far people get. Unfortunately for many Americans, the wealth gap -- or the difference between the assets of the poor and the rich -- has been growing over the past several decades, making it harder than ever for certain groups to climb the economic ladder.

Federal policies could be tweaked to help poor and minority families gain access to the basic building-blocks of wealth: homeownership, savings, and college. For instance, a credit for first-time homebuyers could encourage more poor and minority families to buy a home. Also, the country could make college tuition more affordable, establish automatic savings in retirement plans, and promote emergency savings by establishing incentives linked to savings at tax times such as tax credits.

Other policy changes could also help reduce the wealth gap. Federal programs often have "asset tests," or asset or savings thresholds that need to be low enough to in order to access welfare or other programs. But many states have an asset limit of \$2,000 to \$3,000, which means that families can't have savings or other assets that exceed that level in order to receive the benefit. Those caps end up being a disincentive to save, but maintaining less than \$2,000 in savings isn't enough to tide families over in tough times, and potentially makes families more likely to end up in the government safety net.

"Wealth inequality matters for everyone," economist Signe-Mary McKernan said. "Inequality can weaken the economy, increase crime, and can lead to more people needing help from the government safety net."

16. According to the author, what are the “basic building-blocks” of wealth?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

17. What are some changes the author suggests that would help close the wealth gap?

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18. Do you agree or disagree with the author’s suggested changes? Why?

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Exit Ticket

What are <u>3</u> things you learned about wealth inequality?
What are <u>2</u> questions you still have about wealth inequality?
What is <u>1</u> way that this information is applicable to your life?