

## Where's My Pot of Gold? Disparity Despair -- FAQ's



*Read these FAQs, then complete the crossword puzzle on page 3.*

Are you and your family more or less wealthy than the average families in your community? Does your family have enough money to safely handle unexpected emergencies or disruptions in your lives, or weather long term unemployment? Do you believe that you can significantly increase your material wealth by working hard? The answers to these sorts of questions are very important to living life as an adult, and are inextricably tied to **income and wealth inequality**.

Everyone knows that within a society, different people have different levels of material wealth and comfort. These differences are defined by the terms “**income inequality**” and “**wealth inequality**”. These terms are increasingly used in politics, news, and academics, and have inspired controversy, debate -- even public protest, such as **Occupy Wall Street** and **We Are the 99%**. Let's explore why...

### What do *income inequality* and *wealth inequality* mean?

**Income inequality:** *the extent to which different people in a population have unequal income, which is the amount of money received, usually via earnings, in a given period of time.*

**Wealth inequality:** *the extent to which people in a population have unequal net worth, which is the total value of everything one owns, minus debt.*

### Why is wealth important?

Wealth is very important because people rely on it to carry them through financial emergencies, fund retirement, provide an education for their children, or to start a new business. **Wealth translates into opportunity and quality of life.** Income is important because it's the **primary source for starting to build wealth.**

### What's all the controversy about?

Wealth and income disparity have existed as long as societies have existed. After all, people have different occupations with different values and are paid at different levels. People live in different circumstances. There will always be gaps between the “haves” and the “have nots.” Over the past few years, however, the levels of wealth and income inequality in the United States have **increased dramatically, making these major political and social issues.** In 1976 the top one percent of households received 8.9 percent of all U.S. pre-tax income. By 2012, the top **one percent received 22.46 percent of all U.S. income** and that number continues to grow.

The statistics for wealth inequality are even more staggering: **84% of American wealth is owned by the wealthiest top 10% of people.** The average net worth (that means the average total wealth) of upper income families is nearly **70 times that of average lower-income family.** Those are some pretty dramatic numbers! In the last 30 years, rich Americans have gotten *a lot* richer, while poor and middle class Americans have increased their wealth by very little - if at all.

## The 21st Century Student's Guide to Financial Literacy

### How do wealth and income inequality impact commerce?

There's a lot of controversy about the **effects of wealth and income inequality on commerce**. Some economists and politicians think that rising income and wealth inequality is a **natural effect of changes in the U.S. economy**. In this view, rising inequality isn't all bad, because the people who benefit most use their wealth by **reinvesting in commerce and the economy to create new jobs**, technologies, and opportunities which are available to everyone.

Other economists and politicians think that wealth inequality is an unnatural burden on the U.S. economy. They argue that government policies favoring the wealthy over the poor and middle class harm the economy by limiting the ability of most people to contribute to economic growth and gain access to wealth. This has a detrimental impact on commerce. It slows economic growth by **reducing the purchasing power of the middle class**, and forces many people into **credit card and other debt** in order to make ends meet. Wealth inequality also inhibits social mobility (the ability better to one's living circumstances), and **may contribute to a less-educated workforce** impacting America's ability to compete in the global economy. Economist **Thomas Picketty, author of "Capital in the Twenty-First Century"** believes this situation is a direct threat to **cherished American ideals of meritocracy** and opportunity.

### What can be done to reverse the trend and close the gap?

According to experts, closing the gap will take a concerted, coordinated effort of U.S. government and American corporate policies. For top-down reforms, some experts recommend a **redistribution of wealth via tax reforms**, and capping the pay of the wealthiest corporate earners. Bottom up proposals include better education about debt avoidance and savings, increased public assistance for lifting the poorest out of poverty, promoting participation in savings and retirement programs, and **expanding homeownership since it is a key wealth-building tool**. Also proposed is **boosting wages** so that ordinary families can afford to save.

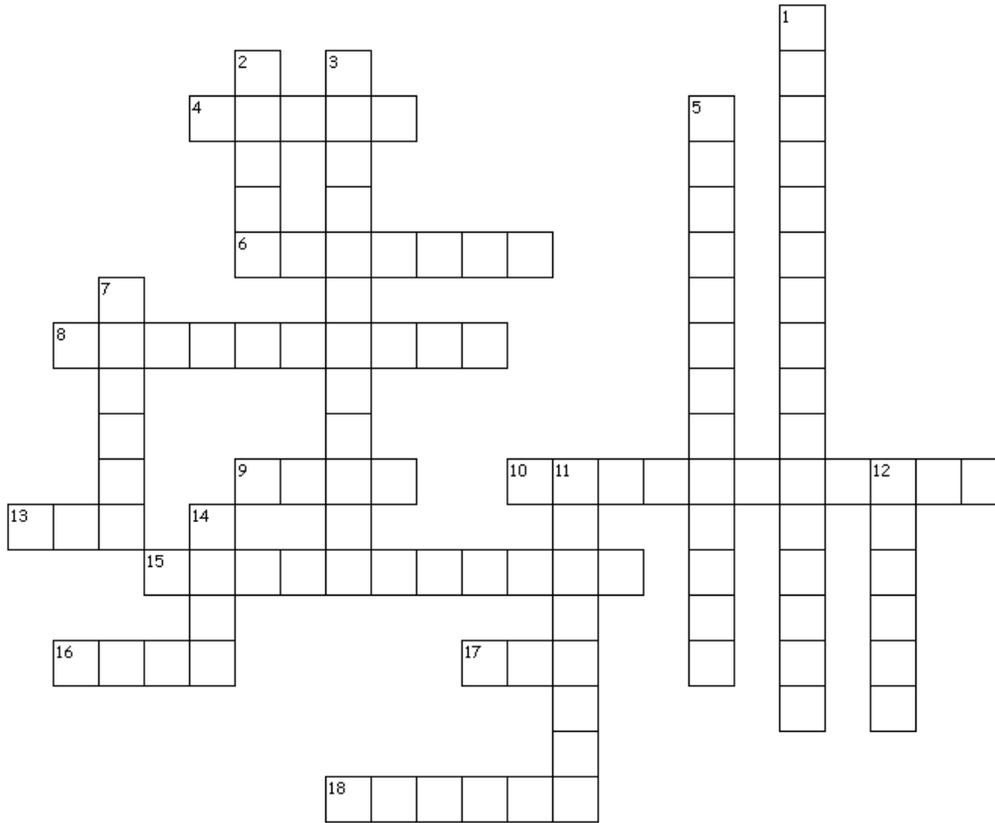
### Learn more about these important issues!

Wealth inequality is sure to be a major political issue in your lifetime. It's important to know about the existence of this trend as well as some of the different opinions so you are able to make up your own mind about this controversy. Here are some resources for learning more:

A good place to start is French economist Thomas Picketty's influential 2014 book *Capital in the Twenty-First Century*. An excellent, interactive and easy to read publication *Growing Apart, A Political History of American Inequality* by Colin Gordon of *inequality.org* can be found at <http://scalar.usc.edu/works/growing-apart-a-political-history-of-american-inequality/index>. For a short, informative but controversial video with some great gap graphics see *Wealth Inequality in America* <http://inequality.org/wealth-inequality-america/>. Economists Emmanuel **Saez** and Gabriel **Zucman** published an excellent summary of the extent of the problem, including some proposed solutions in *Exploding Wealth Inequality in the United States* <http://equitablegrowth.org/research/exploding-wealth-inequality-united-states/>

For voices in opposition, read *The Dispelling Myths About Income Inequality* <http://www.forbes.com/sites/jeffreydorfman/2014/05/08/dispelling-myths-about-income-inequality/>; and Chris Matthew's *The Myth of the 1% and the 99%* <http://fortune.com/2015/03/02/economic-inequality-myth-1-percent-wealth/>

## Disparity Despair



**Across**

- 4. Reforms here may help!
- 6. Wealth of upper income families is \_\_\_\_\_ x that of lower income families.
- 8. Power increasingly lost to middle class.
- 9. "Exploding" author too.
- 10. Wealth translates into this.
- 13. % owning top 84% of U.S. wealth.
- 15. Cherished American ideal.
- 16. One benefit of wealthy's reinvestment in commerce and economy.
- 17. % receiving top 22.46% of all U.S. income.
- 18. \_\_\_\_\_ Wall Street;protest

**Down**

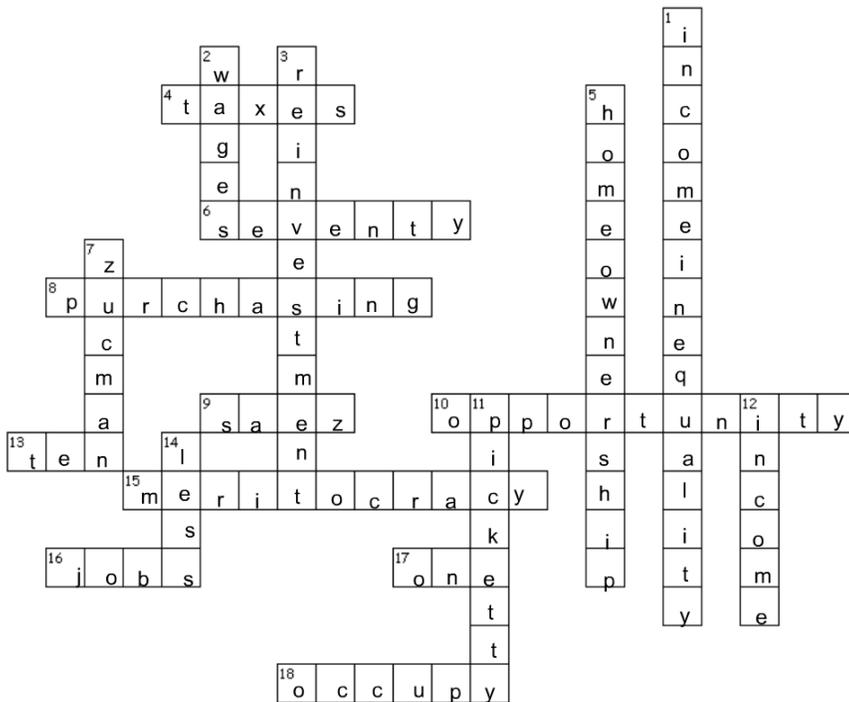
- 1. unequal earnings.
- 2. A boost here may help!
- 3. use of extreme wealth which benefits commerce and economy.
- 5. A key wealth-building tool.
- 7. "Exploding" author
- 11. Capital in the Twenty-First Century, author.
- 12. Primary source for building wealth.
- 14. An effect of inequality is a \_\_\_\_\_-educated workforce.

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Criss Cross Puzzle

<http://puzzlemaker.discoveryeducation.com/code/BuildCrissCross.asp>

## Disparity Despair Answer Key



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18 of 18 words were placed into the puzzle.

Created by [Puzzlemaker](http://puzzlemaker.discoveryeducation.com) at [DiscoveryEducation.com](http://DiscoveryEducation.com)