The Wealth Gap

A Group Assignment

Collaborative Solutions

**What is the “wealth gap”? What does it look like?**

* *Wealth disparity, unequal distribution of wealth across the population, gulf between haves and have nots, the thinning out of the middle class.*
* *“Race to the bottom in jobs and wages since the global financial crisis”.*
* *“Rising tide lifts all yachts”*
* *95% of all economic gains to the top 1% since ’09.*
* *80% stock market wealth held by top 10%.*
* *400 richest Americans have more wealth than the bottom 150,000,000 combined.*
* *85 richest people on earth have more wealth than 3.5 billion of the poorest.*
* *Since the start of the crisis in ’08 the government has borrowed $6 trillion dollars and printed $7 trillion more. Where has this money gone?*

**Causes**

* *Government bailed out the rich (big banks, AIG) during the recession but did little for the poor except “income security” – food stamps, unemployment insurance*
* *Actions of the Fed benefited investors, little for workers.*
* *Demoralization associated with wage/income stagnation causes people to stop trying.*
* *Culture of dependency in the lower classes*
* *Globalization – the outsourcing/offshoring of good paying union factory jobs.*
* *Job loss associated with technology – creative destruction of jobs*
* *Nature of capitalism, rewarding what it rewards and punishing (or indifferent to) what it punishes.*
* *Skill set mismatch – disequilibrium regarding labor and employment*
* *American education system not producing what the economy needs. “Smarts gap”*
* *Opportunity inequality*
* *Education inequality*
* *Wages stayed static while productivity went up dramatically*
* *Concerted effort to de-unionize the American workforce*
* *Internal migration of jobs from union to non-union states.*
* *Meager job creation, “jobless recovery”*

**Observations / causal**

* *The Great Recession exposed issues in our economy that were a long time in the making.*
* *Concentration of wealth at the top is not sustainable. If nothing changes even more wealth will accumulate at the top. Not enough aggregate demand.*
* *Recession hurt every income category but especially the poor minorities.*
* *Poor have never inherited anything, no leg up.*

**Politics of the gap**

**stereotype**

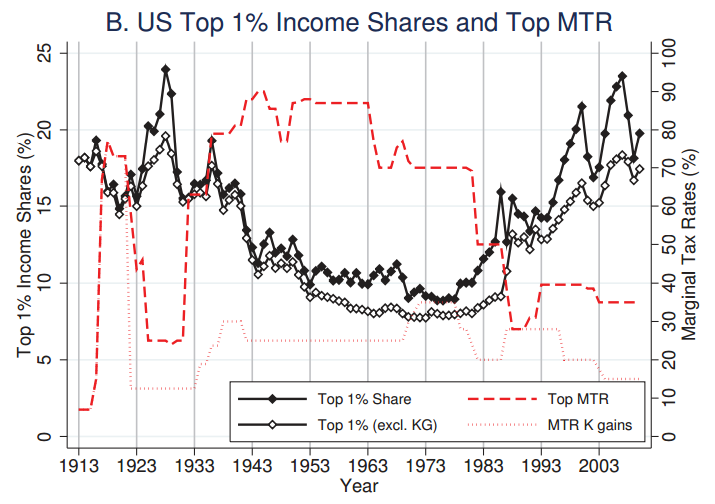
* *The rich elites control the government and make the rules. The rules benefit the rich as a result. (Low capital gains tax, lax regulation of the financial industry, tax loopholes, incentives to outsource workers and earnings).*
* *Government needs to take assertive action, stimulus spending.*
* *Raise taxes on the rich.*
* *If the 1% are the job creators then where are the jobs? 1% has made out like bandits in the last five years.*

**stereotype**

* *Wealth gap overstated, normal in capitalism.*
* *Lower class/poor Americans aren’t working hard enough.*
* *Evidence of government enabling the poor via safety net programs.*
* *Don’t raise taxes, enlarge the economic pie!*
* *Reduce taxes further, eliminate burdensome regulations – the 1% are the nation’s job creators.*

**Solutions**

* *Address the mobility (upward mobility) issues.*
* *Raise the minimum wage.*
* *Raise taxes on capital gains and funnel the money straight into education.*
* *German style worker council/unions.*
* *Raise taxes on the upper income earners.*
* *Seriously revamp/revisit/reimagine our entire educational system.*
* *Require financial literacy education*
* *Make college affordable.*
* *Retain the incentives found in the capitalist system.*
* *Extend unemployment benefits.*
* *Close tax loopholes that benefit only the few.*
* *Smart stimulus spending on real infrastructure projects.*
* *Incentivize companies with tax credits to stay in the U.S. and hire American workers.*
* *Create a pension plan for low wage workers – portable (take from job to job) savings program. “MyRA”*
* *Tax corporations by size – proportionally progressive tax system, tax size and profits.*
* *Wait for the Malthusian Solution*

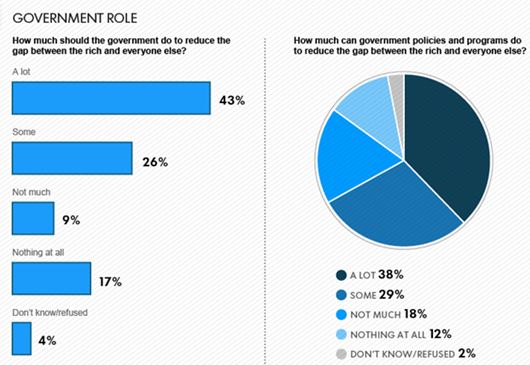
*What does this graph seem to imply as a solution? Possible in current political environment?*

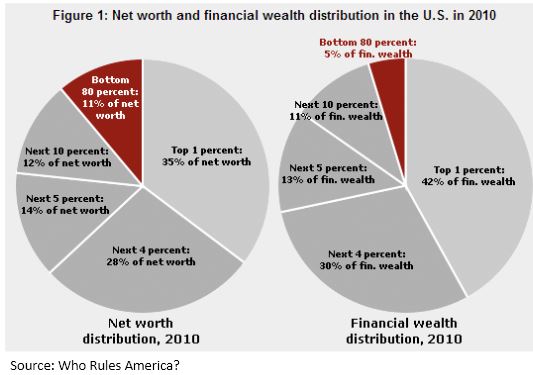
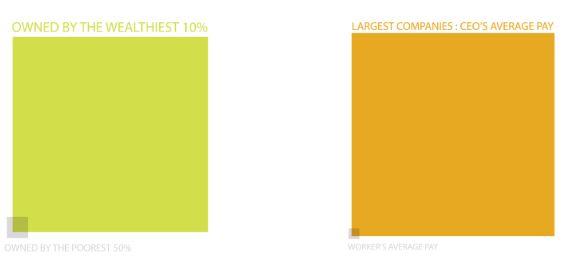
*Classical Economics:*

* *Markets are self-correcting, full employment always prevails in the end.*
* *Any period of unemployment will cause wages to drop, new equilibrium achieved.*
* *Unemployed experience joblessness and will accept new wages. Some will be motivated to rise above this condition.*
* *Owners will begin to rehire when labor costs (inputs) pass a cost benefit analysis.*

*The “Grand Bargain”*

* *Wages high enough to allow workers to purchase what they produce. Demand grows.*
* *High marginal tax rates on the rich; wealth is spread out, society benefits.*
* *CEO pay a few times that of factory floor worker, not 100s of times.*
* *Significant government expenditure on real infrastructure that benefits all – interstate highways, public education, science…*
* *Banks regulated, controlled speculation (conditions of “moral hazard” minimal)*

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