Why is economic inequality a problem?

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Liberal Perspectives/Views

- After the Welfare Reform of 1996, there was a huge debate about the nature of reform
- Liberals wanted the general social safety net to remain intact, whereas conservatives wanted general de-entitlement
- Most don’t acknowledge or actively oppose religion's role in policy
- Skeptical/don't approve of private sector whereas conservatives believe it could replace government programs

Technology and A Widening Wage Gap

- As technologies influence increases, the demand for blue and white collar middle class jobs is decreasing.
  - Ex: Construction, bank tellers, and loan officers
- Technology is requiring new skill sets that many do not have.
  - Requires more education, resulting in more student debt for most people.
- Silicon Valley
  - Technology billionaires dominate, while 31% of other jobs in the area make $16 an hour or less.
  - One of the largest wage gaps due to the rush of technology businesses into the area.
  - Astonishing amount of homeless in Northern California.
  - Many billionaires recognize the problem and want to fix it but do not know how.
Technology started playing a big role with the wage gap around the 1980s. While it does create jobs it is often only for those with high skill sets and for those that are not in that category, the salaries are not sufficient.

The common liberal view on how to fix this:
- Everyone should have a share of the benefits of increased productivity
  - Ex: Finland with Universal Basic Income
- They understand change and the influence of Artificial Intelligence but it does need to be regulated and not destroy the labor market.
  - This is due to A.I being able to handle most jobs of the middle class.


Widening Education Achievement Gap

- Predictable outcome that students from wealthier families are more probable to attain a higher educational status
- Education achievement gap over the past 50 years shows that the gap began to widen in the 1970s
  - In the past 30 years: rise in inequality in wages, incomes, and wealth
  - In the 1980s, gap between the reading and math skills of the wealthiest 10% of kids and poorest 10% was about 90 points on an 800-point SAT-type scale.
  - Three decades later, the gap has grown to 125 points.
- Family time and money
- Fewer students receiving the best education means less economic potential in the long run.

Regardless of how hard they work, some students solely do not have the resources. Inequality affects skills attained. Education drives local economic development. Useful to be making education equal.

https://www.edweek.org/ew/articles/2014/03/01/kappan_duncanmurnane.html
https://equitablegrowth.org/income-inequality-affects-our-childrens-educational-opportunities/
Historically, it has been believed that inequality promotes economic growth.

The Organization for Economic Co-operation and Development researched the economy and found that inequality prevents growth.

If those with low incomes become unhealthy from lack of access to healthcare and therefore are not capable of producing the same level of work as someone from a higher socioeconomic class, it could halt the growth of the economy.

Rising inequality is predicted to decrease economic growth by 4% in the next 20 years (published in 2016).
Economic Growth

➢ The poor also struggles with investments in education because the resources are not as accessible to them.

➢ Liberals on economic growth: Universal healthcare would help the poor in the event they get sick and would help them get back to work faster to support their family. It would also help them keep up with the economy and limit inequality, stimulating economic growth.

Globalization and Economic Inequality

- background on globalization
  - skewed pay rises between 1970 and 2014
  - due to the significant shift in global trade

- effect on economic inequality
  - rising import competition
  - income changes
  - cheaper labor

- Additional Resources
  - [Link](https://www.forbes.com/sites/jeffreydorfman/2016/11/30/trump-is-right-globalization-has-slowed-middle-class-income-growth/#2d88054b2183)
  - [Link](https://www.usnews.com/news/articles/2017-05-08/globalization-boosted-income-inequality-study-says)
  - [Link](https://ibs.colorado.edu/johno/papers/inequality.pdf)
The Rich are Getting Richer

- We know that economic inequality depresses economic growth overall, but the poor are the ones who bear the brunt of the negative effects.
- Economic inequality isn’t *necessarily* bad in and of itself if it’s within moderation and due to reasonable disparities in skill/work ethic, but that isn’t the case in America.
- Inequality has gotten significantly worse in recent years.
- Economic inequality causes the rich to get richer, and disproportionally affects those less well-off.
- The idea that inequality stimulates economic growth is a principle often supported by conservatives, but it doesn’t play out in practice.
Inequality in Practice (The Rich get Richer)

- In the past, periods of growth benefited everyone.
- Now, when the US economy grows, it's the wealthy who actually reap the benefits.
- The poor see little to no growth, or even loss.
The Rich are Getting Richer

- Even after taxation, the wealthy still experience the majority of income growth.
- The Congressional Budget Office revealed that the after-tax income of the top 1% is still growing significantly faster than the everyone else.
The Rich are Getting Richer: How Does this Effect the American Dream?

- The American Dream is that notion that everyone has the chance to climb the economic ladder
- Consider: If the American *reality* is that only the rich are getting richer, is economic inequality contributing to the end of the American Dream?
Geographic Location

- The geography of economic inequality refers to the spatial sorting of individuals by income, which correlates to the pattern of economic resources and opportunities.

- Residential sorting by income has significantly increased over the past 45 years, resulting in Americans living in the poles or the ends of the spectrum of the income distribution rather than in the middle.
• In 1970, two-thirds of families in large metropolitan areas lived in middle-income neighborhoods. By 2012, just 40 percent of families lived in such neighborhoods.

• Economic Inequality is higher in vibrant cities (where vibrant means cities who home technology and finance)
  • For example, New York City where neighborhoods are drastically separated by income; The Bronx has an average income of $37,525 and a poverty rate of 28.7%, while the Upper East Side has a median household income of $109,111, and a 6.66% poverty rate. Cities are approximately 8 miles in distance from each other.
Geographic Location

- Most people live in neighborhoods where income is similar to their residents, as people buy where they can generally afford.
- Affects educational achievement and attainment, mental and physical health, and attitudes toward society and the government.
Geographic Location

- Educational achievement and attainment is significantly lower in the low-income neighborhoods as quality of education and facilities are reflected upon the residence’s income.

- Violence which is more frequent in lower income neighborhoods also reduces performance on academic tests and diminish the attention span and impulse control of children.

- Less political involvement and interest as knowledge of politics is not as accessible or a top priority as in wealthier residences. Trying to make ends meet.

Proposed Solutions:

- Regional Government structure intervention to mandate the division of resources.
- Mixed-income communities as well as school integration programs and monetary redistribution
Distribution of Power

- American campaigns are heavily funded through PAC’s
- Robert Mercer contributed $11.3 million to Donald Trump’s presidential campaign
- Decisions on wages are heavily influenced by those with wealth
Consequences of Economic Inequality

**Slows Growth**
- High inequality means higher levels of poverty
  - Crime and poor health burdens economy
- Political power imbalance
  - Tax policies that benefit the wealthy are created
- Decreased availability of investments for human capital
  - People can’t invest in training and education so physical capital becomes scarce
- Risky unsecured loans become common—think “The Big Short”

**Increase in Crime**
- Economically unequal societies have higher crime rate
  - Most closely related factor to crime
- The disadvantaged become resentful and hostile
  - Result of position and competition
- Higher incentive to commit crimes—higher returns than legal means
- Lower law enforcement spending in low-income areas
  - More funds in higher income areas for police force
  - Susceptible to bribes
- More effective to fix economic inequality than to increase law enforcement spending
Consequences of Economic Inequality

Decreased Health

- Quality health care and healthy food is limited for the poor
  - More poor means more people in poor health
- Food deserts occur in economically unequal societies
  - Lack of access to fresh foods
- Obesity rates and other diet-related illnesses increase
- 10% of health care costs are connected to diet
  - related illnesses
- Poor diets lead to diabetes, heart disease, osteoarthritis, some cancers, and more.
- People in poverty are 2x more likely to die from diabetes

Increased Political Inequality

- Political power gets skewed toward the wealthy
  - more able and willing to manipulate government
- Wealthy can financially back their candidates more
  - $5 equals about 1 vote
- Political candidates mostly speak with donors
  - 50% of time
- Economic inequality means people are less involved in politics
Conclusion

- Why do liberals believe economic inequality is a problem?
- Increased technology increases need for higher skilled workers—many don’t have access to this education
- Higher level inequality slows growth of the economy
- Health consequences for those in poverty
- Inequality is fine in moderation if due to skill deficits, but that is not the case in America