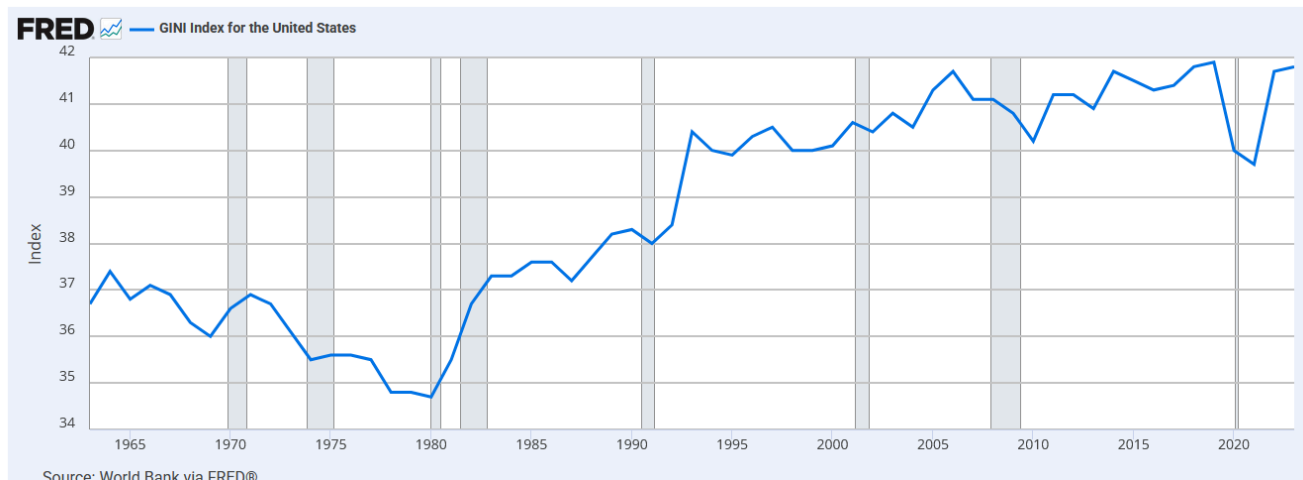


Module 10 – Key Concepts (Ch. 13)

Income and Wealth Inequality in the U.S.

- The **United States** is the **most unequal high-income economy** in the world.
- Inequality has **increased since 1980**, with **top 5%, 1%, and 0.1%** capturing a **larger share of total income**. And **middle class** remaining stagnant or falling behind
- **Gini Coefficient**: measure of inequality ranging from **0 (perfect equality)** to **1 (perfect inequality)**. The U.S. has a higher Gini than most rich countries but lower than many developing countries.



Changes in the Distribution of Income Over Time

Share of total income

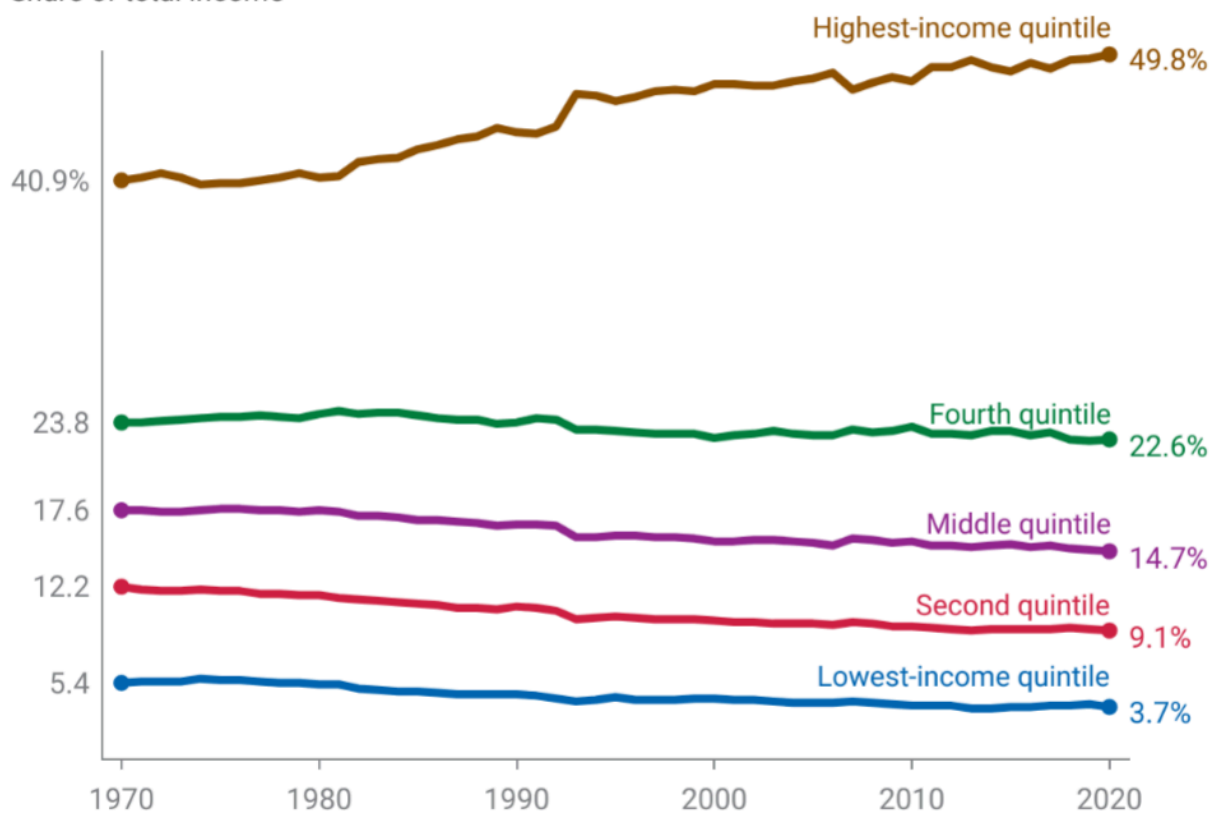


Chart: © Worth Publishers • Source: U.S. Census Bureau

Wealth vs. Income

- **Wealth inequality** is even **greater** than income inequality.
- **Wealth** accumulates from invested income and inheritance. **Persist and grow** across generations

Causes of Inequality in the U.S.

- **Differences in Wages and Salaries**
 - Largely explained by **differences in education and skills**, those with higher education or specialized skills earn more.
- **Life Cycle Effects**
 - **Young workers** and **older individuals** (retired or semi-retired) tend to have lower incomes than those in their prime working years.
- **Living and Working Arrangements**
 - In the **1960s**, most households had **one working parent** and **fewer single-parent families**.
 - Today, there are **more single-parent households** (which tend to be poorer) and **more dual-income households** (which tend to be richer).
- **Stock Market and Property Ownership**
 - Ownership of these assets is highly concentrated among the rich. They earn more **capital income** from **stocks, real estate, and investments**, which grows faster than wages.

Poverty in the U.S.

- **Poverty** refers to lacking sufficient income to maintain a **basic standard of living**.
- The **U.S. poverty line** sets a threshold based on income needed for essential goods and services (3 times USDA food budget).

Government Responses to Inequality

1. Anti-Poverty Programs

- Direct assistance to low-income households (Means-Tested Programs - below a threshold).
- Examples: **SNAP (food stamps)**, **TANF (cash assistance)**, **Medicaid**.
- Aim: ensure basic needs are met and reduce extreme poverty.

2. Social Insurance

- Programs that **protect individuals against income loss** due to retirement, unemployment, or disability. **Protect against income loss**.
- Examples: **Social Security**. **Unemployment Insurance**. **Disability Insurance**.

3. Progressive Taxation

- The **U.S. tax system is mostly progressive**.