[Name]

[Instructor]

[Course]

[Date]

Economic Inequality

Today I will be unboxing not an object—like a mobile phone or camera—but an idea that affects a large proportion of the United States population. I will be unboxing the concept of economic inequality in the United States. So, without any further delay, let us jump right into the unboxing. As you can see right from the beginning, the concept is two-fold; it is made of two related concepts. The first is that of economics, which refers to the concepts of income, wage, and wealth. The second is inequality, which refers to how these economic factors impact different individuals differently. Thus, as a whole, economic inequality relates to income, wage, and wealth inequality that exists between other classes of people. Now we will look into these three different modes of economic inequality and their trends.

Income inequality refers to the net amount of income received, through different sources such as one's employment, investment, and rentals, by different groups of people. On the other hand, wage inequality refers to unequal distribution of wages—the compensation received for one's labor—among different groups in the United States. Lastly, wealth inequality refers to the unequal distribution of the total number of assets among different groups of people. These assets can include the property owned by individuals, their stocks, their investments, and their pension.

When one looks into the ever-changing trends of these three measures of economic inequality, one finds that all three factors are causing an increase in inequality among individuals in the United States. Let us first take a look at the changing trends in income inequality.

Congressional Budget Office did a study on household income distribution for the period 1980 to 2016 and found that for individuals in the top quintiles of the income distribution, income growth has been 99%, while for individuals in the lower and middle quintiles, the growth has been merely 33% (Congressional Budget Office). This means that the incomes of affluent families have been increasing at a much higher rate compared to lower economic groups. This effect becomes even more apparent when one observes the income growth for individuals in the top 1% of the population, who have seen an increase of 218% in their cumulative income in a period of 36 years, starting from the year 1980 to the year 2016. Thus, the wealthier an individual is, the greater has been the increase in their income.

Now, let us observe the changing trends in wage inequality in the United States. The Economic Policy Institute (EPI) did a study to monitor changes in wages for a period of 40 years, starting from the year 1979 to the year 2019, and found that for individuals in the bottom 90% of the economic group, the wages have increased from 30$,000 to $39,000, while those for individuals in the top 1%, this increase has been from $648,000 to $2,888,000 (Economic Policy Institute). This means that the wages of the affluent individuals have been considerably increasing, while for others, it has been mostly stagnant. This effect is more shocking considering the fact that the productivity levels of workers have increased drastically over the same period.

Finally, let us take a look at the changing trends in wage inequality. According to the research conducted by Horowitz and others, the wealth inequality between the wealthiest and poorest families in the United States doubled from 1989 to 2016 (Horowitz et al.). Much like income and wage inequality, wealth inequality has also seen an upward trend.

The question that follows naturally is about the reason behind such an increase in economic inequality. The main reason that economic inequality has increased in the United States is that there has been a gradual decrease in labor unions. After the 1930s, there was a significant increase in the membership rates of labor unions. But as the 1970s approached, this upward trend inverted. In 1970, union membership was at about 27%, which decreased to a mere 11% in 2011. To draw a parallel, income inequality was about 32% in 1970, which has grown to 48% in 2011. Therefore, one can conclude that income inequality has risen mostly due to the decrease in labor unions.

Economic inequality can have several negative impacts on the society plagued by this issue. For example, if a given society has a higher rate of economic inequality, the individuals within the society are less likely to trust each other and there are going to be lower levels of social cohesion. This is the point made by Christian Albrekt Larsen in his book *The Rise and Fall of Social Cohesion,* who argues that economic inequality has played a great role in the decline of social cohesion in the latter part of the last century (Larsen). Moreover, societies that have greater economic inequality have higher crime rates. This is one of the explanations for the high rates of crime in the United States.

To wrap up this unboxing, let us quickly go through the key features of our unboxed concept. We have seen that economic inequality, in all three of its forms, has been increasing in the United States for about the past 50 years. One of the biggest reasons for this increase is the decline in labor unions. The impact of this economic inequality can be seen in the low social cohesion and high crime rates in the United States. With this, I conclude this unboxing video.

Works Cited

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