

Lesson 10: What is Wealth and Who Owns How Much of It

Objectives:

- Define the concepts of wealth and assets.
- Compare “wealth” and “income.”
- Apply an understanding of the definition of wealth by providing examples of wealth for different income and racial groups.
- Dramatize the dramatic shift in wealth from 1976 to 2004.

Concepts and Key Terms:

- wealth
- wealth compared to income
- current concentration of wealth in the U.S.
- shift in concentration of wealth in the U.S. from 2001 to 2004

Instructional Time:

- 55 minutes

Preparation:

For the Bellringer Activity 10.1:

- Chart 10a, What is Wealth?

For Activity 10.2:

- Ten chairs without armrests
- CD or tape player (optional)
- 8.5” x 11” laminated placard: “Wealthiest 10% of the U.S. Population”
- Chart 10b, Ownership of Household Wealth in the U.S.

Conducting the Lesson

Bellringer Activity 10.1: Examples of Wealth

1. Review Chart 10a, What is Wealth?

2. Ask students to pair off, brainstorm, and record their answers to the following questions regarding the different kinds of wealth:

a) What are some examples of assets that lower-income people might have? (e.g.: cash, checking account, TV set, used car.)

b) What are some examples of assets that middle-income people might have? (Examples: cash, savings or checking account, equity in a house, nice car, small funds).

c) What are some examples of assets that upper-income people might have? (Examples: luxury car, boat, equity in an expensive house and vacation home, stocks.)

d) What are some examples of assets owned by the top one percent of people in the U.S.? (Examples: several houses and apartments, real estate, large stock and bond holdings, businesses, artwork and other collectibles.)

3. Bring the group back together and discuss their answers to each question. Ask them to think about how they would describe their parents’ wealth or their own wealth.

4. Review and reiterate by asking students how wealth is different than income. Ask, how it is possible to have negative wealth?

What is Wealth?

- ★ **What is wealth and how is it different from income?**
Wealth = What you own minus what you owe. Income is money that flows in. Wealth is money that remains after the bills are paid.
- ★ **You can have high income and no wealth.**
For example, if you earn \$100,000 a year and spend \$110,000, you have no wealth, just debt. At the end of the year, your wealth will be negative (-\$10,000).
- ★ **You can have low income and still have some wealth.**
For example, if you earn \$20,000 a year and save \$100 a month, at the end of the year your wealth will be over \$1,200 (plus the interest you gain on your savings account).
- ★ **What you own is often referred to as “your assets.”**
There are four major types of assets: 1) homes; 2) liquid assets, including cash, bank deposits, money market funds, and savings in insurance and pension plans; 3) investment real estate and unincorporated businesses; and 4) corporate stock, financial securities, and personal trusts.
- ★ **What does debt consist of?**
Debt consists primarily of mortgage debt (usually on one’s home), credit card debt, student loans, auto loans, and consumer loans.

Chart 10a

5. Ask students what other questions they have about wealth and income.

TALKING POINTS:

Wealth is what you own minus what you owe.

Income is your paycheck or wages, or government benefit check, or dividend check, or your profit from selling an investment.

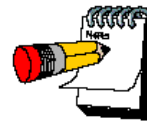
Wealth is what you have in the bank and the assets you own.

18% of the population currently has no assets or negative assets; they owe more than they own. Some of these people may live in big houses and drive big cars, but they may not actually own any of it. They are in debt.

Activity 10.2: Who Owns How Much? (The 10 Chairs)

1. Line up ten chairs across the front of the room facing the students, *prior* to the start of the activity, and set up a CD player with some lively music.

2. Ask for ten volunteers. Identify one person who will represent the “Wealthiest 10% of the U.S. Population” and give that person the placard to wear. Ideally, choose someone who is tall and who will play up this role, a “ham.”



Note to Teacher

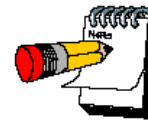
This activity strives for dialogue between you and the volunteers in their roles as well as dialogue and reflection among the students observing the activity. You may want to add music to the activity to spice it up. Announce that you are going to play musical chairs. However you may still conduct the activity in the same manner as explained below, without the music.

3. Ask the volunteers to stand in line, one behind each of the chairs. Explain that each chair represents 10% of all the private wealth in the U.S. and that each of the volunteers represents 10% of the population of the U.S. Explain that “(Insert student’s name) is representing the “wealthiest 10% of the U.S. population.”

4. While students are standing in a line, one behind each chair, explain this is what wealth would look like if it were evenly distributed in the U.S. — one person, one chair. If wealth were evenly distributed, every household would have a net worth of \$380,100. Talk with students about what that might be like. Explain that in fact, life in the United States — or anywhere else, for that matter — is not like that.

5. Explain that different statistical groupings of people in the U.S. own different percentages of wealth. Explain that typically, reliable economic data takes two to three years to be analyzed and in this lesson we are using the most recent available information, which is from 2004. Ask students to guess how much of the total wealth they think the wealthiest 10% of the population owned in 2004. Write their guess on the board so you can refer to it later.

6. Start the music and explain that when the music stops, it will be 2004. Instruct the student designated the “Wealthiest 10% of the Population” to lay across seven chairs; the other nine students can squeeze into the remaining three chairs. This is a visual representation of that wealth distribution.” Do not allow any students to stand behind the chairs. Encourage them to squeeze onto the chairs. In 2004, the top 10% of the population owned over 71% of all the private wealth and therefore this one student gets to stretch across seven chairs. Ask the students trying to squeeze into the remaining three chairs to come up with one word or short phrase to describe how they feel about this situation.



Note to Teacher

A variation on this exercise is to have each person sit in a chair while the teacher makes the point that this picture of equal wealth distribution has never existed. When students have to give up their chairs one by one so the top 10% can stretch out even more, it ups the “punch” of the activity.



7. Explain that even within the top 10% there is greater disparity. For example, let's let the arm of the volunteer representing the top 10%, now represent the wealthiest 1% of the population (top 10% student stretches out his arm). In 2004, the share of the top 1% is 34.3% of all wealth, or equal to almost three and a half chairs. That's more chairs than the bottom 90% have combined. Reiterate by writing the following statement on the board: “The Wealthiest 1% own more wealth than the bottom 90% combined!” Mention that wealth is now more concentrated at the top than any time since 1929.



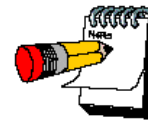
8. Ask the volunteers to note the circumstances they are in and their own feelings about these circumstances. Ask them the following questions:

- a) How are you feeling at the top?
- b) How about in the bottom 90%?
- c) How's life at the bottom?
- d) Who would you push off the chairs to make room? Why?
- e) Look at that person at the top, how would you imagine he uses his chairs (wealth)?
- f) Ask the person farthest from "The Top 10%" if she can even see the guy at the top.
- g) Are there any students on the floor? Who do they represent? (The homeless.)

9. Suggest to the nine students that perhaps their condition is their own fault. Perhaps if they worked harder, they wouldn't be in this spot. Or ask the poorest person (someone who has fallen off the chairs or is on the edge of falling off): "Don't you think everyone else would be better off if you stopped mooching off welfare?"

10. Ask students what conclusions they draw about our current economic policy from this activity. (Is it possible that economic policy favors wealthy people and makes it easier for them to gain more wealth than the rest of us? Does it encourage the concentration of wealth?)

11. Display **Chart 10b, Ownership of Household Wealth in the United States** to reinforce or summarize the 10 Chairs activity. Note that not only has there been a significant increase in the overall private wealth owned within the U.S. (the wealth "pie" has grown) but the amount of wealth owned by the top 1% has grown disproportionately. Between 2001 and 2004, the wealth of the top 1% grew 2.1% compared to -9.2% for the bottom 20%. Note also that those on the bottom of the economic scale have seen their net worth drop dramatically in the last few decades, with many families in debt and owing more than they own!



Note to Teacher

There are many analogies to be made during this exercise. Ask students if they feel uncomfortable. Make sure to leave them in position long enough so they feel some discomfort. Ask them how they are demonstrating their discomfort or anger. Do they take it out on the top 10%, or are they fighting among themselves for the three chairs? See the Multicultural and Gender Focus option below to take this a step further.

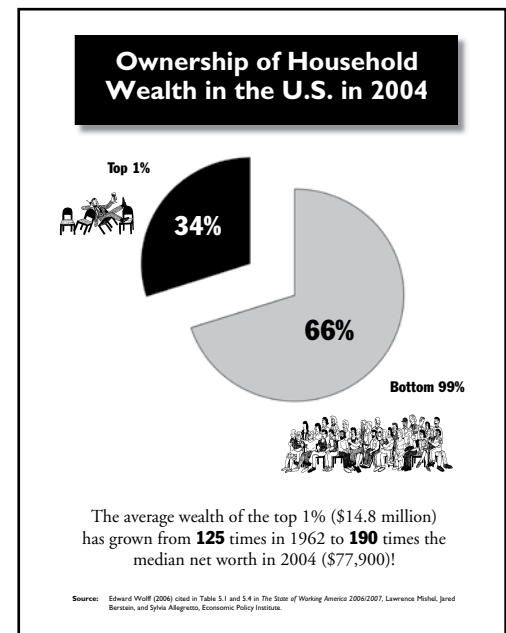


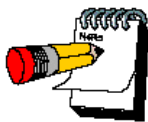
Chart 10b

Optional Activity 10.3: Looking at Wealth Through Race and Gender Lenses

During the 10 Chairs students may actually direct their anger at the person representing the top 10%. In reality people often direct their anger at those around them as they compete with each other for jobs, etc. The top 10% remains largely invisible to the rest while wedges based on race, gender, sexual orientation, age, and class are driven between people and we all battle each other for more space on the few remaining chairs.

1. Ask students to take their seats and then hold a brief discussion with the entire class. Ask them to offer some examples of this “fighting among the bottom 90%” and ask them to name some scapegoats (possible answers: undocumented immigrants, beneficiaries of Affirmative Action policies, welfare recipients, etc.).

2. Have students look at **Charts 10c** and **10d**. These show the distribution of wealth by race. Ask students what explanations they have for why there is such a gap in the amount of wealth owned by white people and the amount owned by people of color.



Note to Teacher

There's much more to say about the increasing concentration of wealth and the racial wealth divide than could be included in one 50-minute class period. You must choose which facts and points to emphasize rather than try to jam everything in.

Also, we recommended that you teach Lessons 10, 11 and 12 in consecutive class periods.

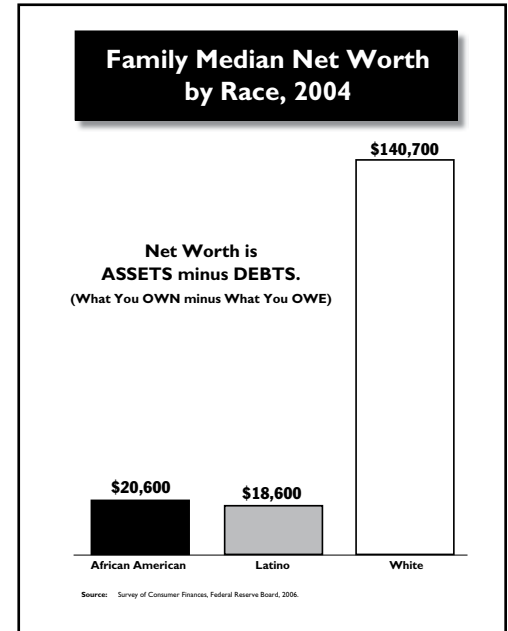


Chart 10c

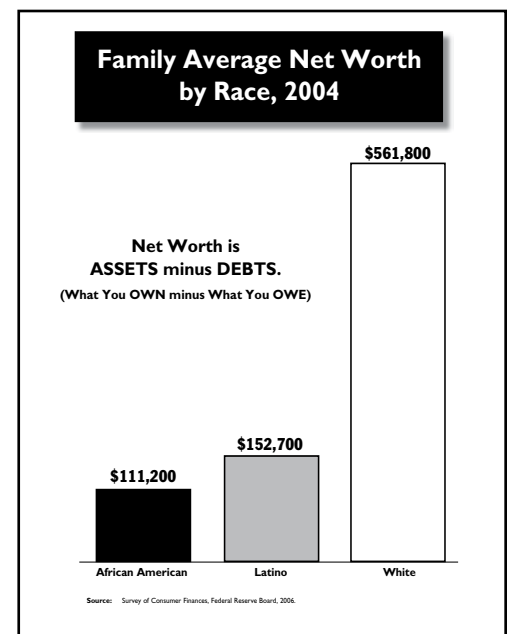


Chart 10d

What is Wealth?

★ **What is wealth and how is it different from income?**

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For example, if you earn \$100,000 a year and spend \$110,000, you have no wealth, just debt. At the end of the year, your wealth will be negative (-\$10,000).

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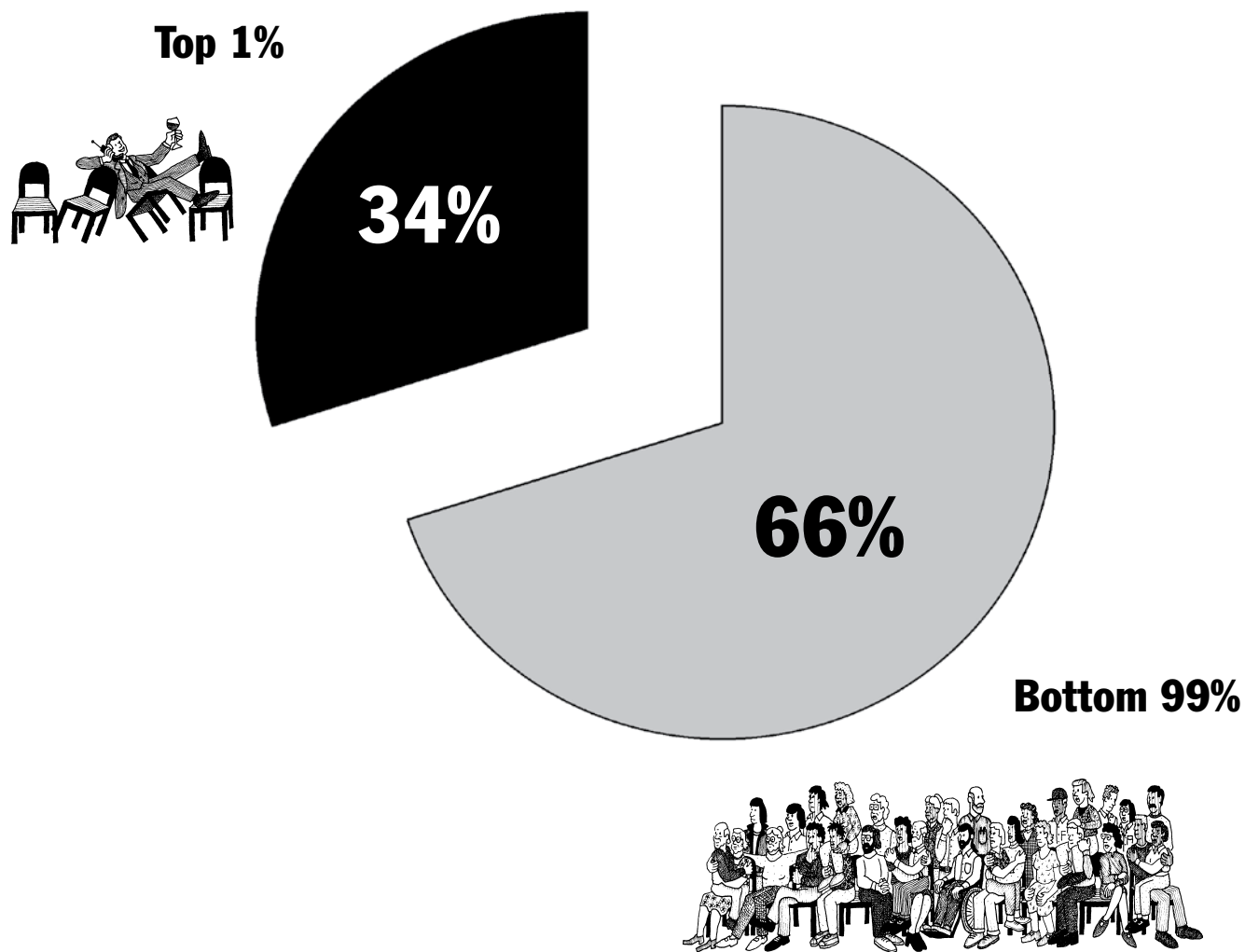
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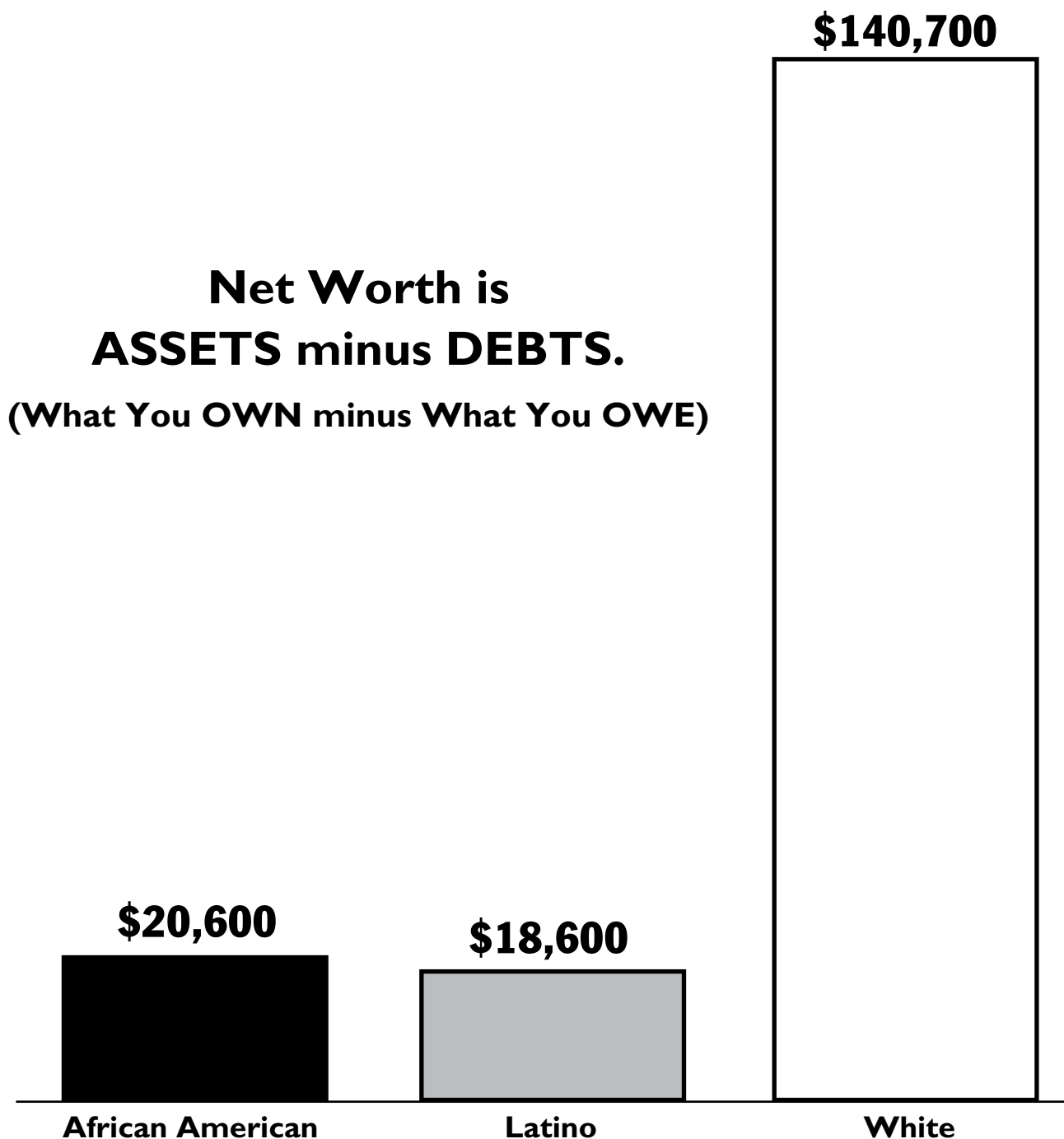
Ownership of Household Wealth in the United States



The average wealth of the top 1% (\$14.8 million) has grown from **125** times in 1962 to **190** times the median net worth in 2004 (\$77,900)!

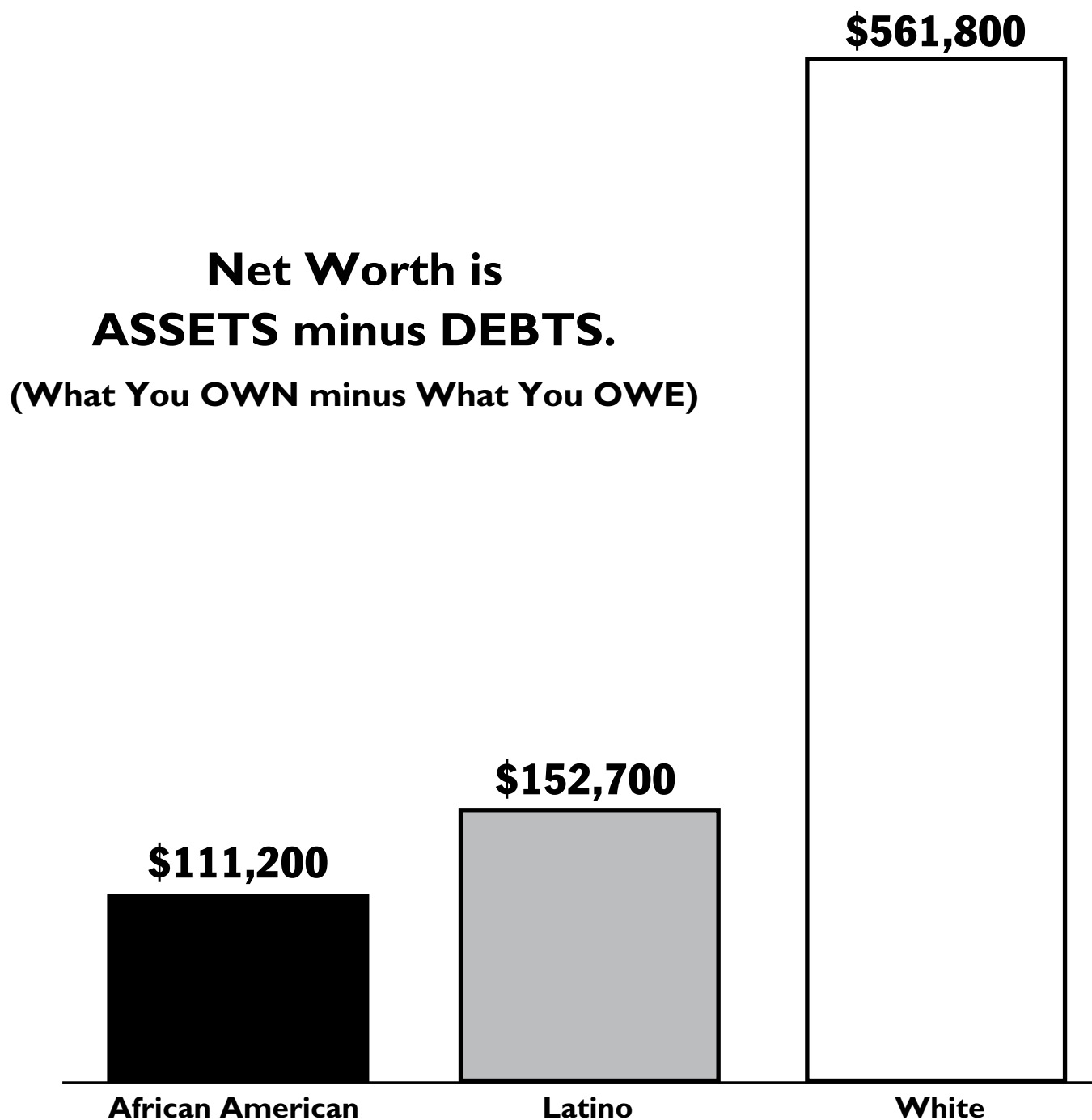
Source: Edward Wolff (2006) cited in Table 5.1 and 5.4 in *The State of Working America 2006/2007*, Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, Economic Policy Institute.

Family Median Net Worth by Race, 2004



Source: Survey of Consumer Finances, Federal Reserve Board, 2006.

Family Average Net Worth by Race, 2004



Source: Survey of Consumer Finances, Federal Reserve Board, 2006.



TOP 10%

OF

WORLDWIDE WEALTH