

Name

Instructor

Course

Date

Inequality

The inequality gap between the rich and the poor has become a defining characteristic of the United States for the last five decades. This disparity has been caused by the increasing income inequity between the extreme ends of the income distribution and the stagnation of wages of the bottom majority. The recent attempt by the government to counter-check the problem through progressive tax system policies has proved ineffective due to the dramatic changes in the global economy. To address this problem, there is a need for understanding the cause of this disparity to develop effective panaceas.

The period from the end of World War II through to 1970 was marked by substantial growth in the economy and broadly shared wealth. Notably, people experienced prosperity at the same rate across the spectrum of wealth distribution. During this period, the income gap, though high, remained relatively constant (Chad et al., 1). However, at the beginning of the 1970s, the growth in the economy slowed down, and the income gap began to widen. Precisely, whereas the income for the individuals in the high class augmented, that of persons in the lower spectrum plummeted significantly. According to Chad et al., wealth is defined as the “value of household’s

property plus financial assets, less the value of its debt," received a corresponding concentration at the top (1). The wealth inequality gap is wider even than the income gap.

To mitigate the issue of inequality, it is essential to consider income redistribution. For a short-term approach to poverty reduction, the government should employ taxation and income transfers to those at the lower level of earning (Bouguignon 22). This approach of income redistribution is effective because the benefit of the growth in the economy does not reach the poor, and when it does, the benefit is insignificant. For a long-term solution, the government should increase opportunities for the disadvantaged group; this can be achieved through investing directly in the sectors that equip the people with the capacity to generate a decent income. Cash transfers to the poor should be directed to activities, such as education, vocational training, access to healthcare, among other activities that bring income in the future. Investing in quality education is the ultimate solution to mitigating poverty and reducing the income gap.

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