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- President Lyndon B. Johnson (1963-1969) and Congress launched expensive domestic spending programs designed to alleviate poverty.
- Johnson also increased military spending to pay for American involvement in the Vietnam War.
- Demand for goods and services skyrocketed. Wages and prices started rising, leading to inflation.
- Early 1970s: sharp rise in international oil and food prices. The typical inflation solution (restraining demand by cutting federal spending or raising taxes) would have drained income and caused a sharp rise in unemployment.
- President Jimmy Carter (1973-1977) created policy toward fighting unemployment, allowing the federal deficit to swell, and established a program of voluntary wage and price controls.

- Economists first notice "striking changes" in the disparity of wealth between the richest and poorest Americans in the 1980s, but are unsure of how to interpret it
- Some first believed it was the product of a recession, and would soon be rectified
- From the 1970s to 1980s, the ratio of income of the top 10 percent to the bottom 10 percent went from 6.1 to around 8.1, increasing beyond that into the 1990s.

**TheNewDebate.com**  
 "In 1986, the hourly wage of a worker at the 10th percentile was \$5.17, about 16 percent lower than it had been in 1973 after adjusting for inflation. Meanwhile, the worker at the 50th percentile earned \$22.01 per hour, an increase of about 6 percent in real terms since 1973."  
 -William A. Sundstrom, "The Income Gap"

- Causes include:
  - Declining demand for low-skilled workers; More high-paying jobs, less low-paying jobs, because of automation and technological advances.
  - Globalization of the economy: foreign competition for jobs.
  - Institutional changes in the labor market, declining use of labor unions, severely decreasing value of the minimum wage from inflation.

"In other words, we see a bunch of hard-working, future-oriented Americans who have been treated badly by the job market, the education market, the housing market and the stock market."

-David South, *Money Press University*

- Gen X earn less money than their parents do at the same point in their lives.
- ~50% of Gen Ys have more money than their parents at the same age (on their income bracket)
- Causes for this include:
  - They are more educated, so they started making money later
  - The declining savings rates
  - Lower returns on assets

- According to a report by the Bureau of Labor and Statistics (1968), there was a sharp rise in joblessness among college-educated men age 24 and under. (It rose from 4.8 to 7.8.)
- The student knew that Generation X used to finance college more through a much higher rate than defunct GI Bill loans had.
- If they found a job, they couldn't make enough money to make their loan payments, so they kept deferring until some defaulted.

- Foreign Automobiles did not receive the same treatment against Indians by law, and unlike agents and technicians, Consumer groups continued to find it troubling by having losing battle of Higher Mortgage Discrimination Act introduction.
- Foreign did not discriminate banks if it violated the Consumer Protection Act, which prohibits racial discrimination in lending.
- Federal Reserve to local government to seek a net discount of 30%, resulting in heavy subsidy municipal debt, public, and private during

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# The Fight Against Skyrocketing Textbook Prices (A)



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## The Road to Here: Financial Set-Up



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Economics in the 1960s and 1970s

- President Lyndon B. Johnson (1963-1969) and Congress launched expensive domestic spending programs designed to

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## An Economic Change in the 1980s The Wealth Gap Begins to Widen

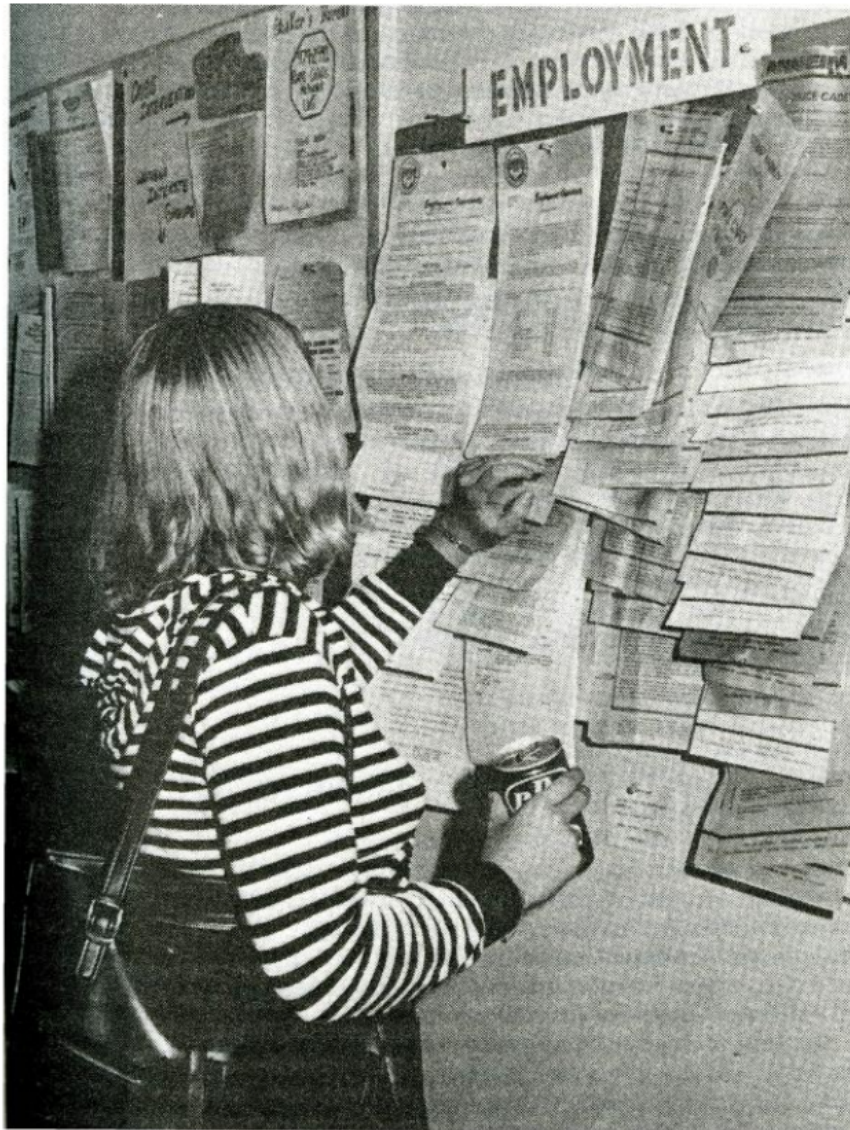


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- Some first believed it was the product of a recession, and would soon be rectified
- From the 1970s to 1980s, the ratio of income of the top 10 percent to the bottom 10 percent went from 6:1 to around 8:1, increasing beyond that into the 1990s.

**Dramatic Changes into 1990s**



# The Road to Here: Financial Set-Up



## Thecasesolutions.com Economics in the 1960s and 1970s

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# An Economic Change in the 1980s

## The Wealth Gap Begins to Widen

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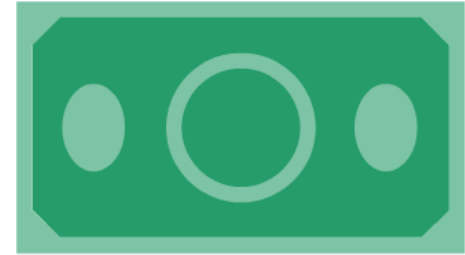
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# Dramatic Changes into 1990s

## Increasingly Unequal

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“In 1996, the hourly wage of a worker at the 10th percentile was \$5.17, about **14 percent lower** than it had been in 1973 after adjusting for inflation. Meanwhile, the worker at the 90th percentile earned \$23.01 per hour, an **increase of about 6 percent** in real terms since 1973.”

-William A Sundstrom, "The Income Gap"

### Causes Include:

- **Declining demand for low-skilled workers;** More high-paying jobs, less low-paying jobs, because of automation and technological advances.
- **Globalization of the economy;** foreign competition for jobs
- **Institutional changes in the labor market;** declining use of labor unions, severely decreasing value of the minimum wage from inflation.

# Background Info: Generation X



- Gen X individuals are born between 1961 and 1981
- Also known as "The Sandwich Generation"
- Gen Xers are cynical; they distrust authority and large institutions including corporations, religious institutions and the government



- Widespread Layoffs of the 1980s
- Dot Com Boom and Bust of the 1990s
- Corporate Greed

# Effects on Generation X

## History in Perspective

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- Gen X earn less money than their parents did at the same point in their lives.
- <50% of Gen Xers have more money than their parents at the same age (in every income bracket)
- Causes for this include:
  - They are more educated, so they started making money later
  - The declining savings rates
  - Lower returns on assets
- Gen Xers save less and consume more
- Student loans are counted in that consumption, which were a new phenomenon for Gen Xers.
  - *"You invest in your own human capital when you get a college degree."*
- Price increase + parent's unwillingness to pay increase = price shock that hit the middle class particularly hard.

# Wealth Inequality Effects on Gen X

## Financial Problems with Higher Education

- According to a report by the Bureau of Labor and Statistics (1988), there was a sharp rise in joblessness among college-educated men age 24 and under. (It rose from 4.8 to 7.9.)
- The student loans that Generation X used to finance college were loaned at a much higher rate than what Baby Boomers had.
- If they found a job, they couldn't make enough money to make their loan payments, so they kept deferring and some defaulted.



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-William A Sundstrom, "The Income Gap"

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-Noah Smith, *Stony Brook University*

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# Debasing Inequality Under Reagan

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