Does generational wealth structure society in the United States?

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Word Count: 3700

Overview

Having grown up with the pandemic of Covid-19 occurring during my high school years, I became very curious as to how the entire world could be in a state of emergency, yet for some demographics, the situation experienced was exponentially worse than that of others. Perhaps, the ongoing wave of illness had revealed underlying turmoil, otherwise obscured by the constant flow of livable paychecks, which is not always distinguishable among lifestyles of stocked funds.

As surges in factors like unemployment crumble the fragile balance of a functioning society, the realization arises that the societal structure sealed by past generations, while not persistently on the surface, makes itself known in times of calamity. Notorious events of the sort date as far back as the Great Depression of the 1930s, and as recently as the Flash Crash of 2010. **quote

Therefore, I felt as though writing a research paper on the affluence inequality would not only explain the link between our present situation and generational wealth, but provide a deeper understanding of the historical context which led us here. While I have found various scholarly texts on the subject, I believe the general public disregards the matter due to the mass unspoken consensus that predetermined inequality is expected, and turning a blind eye will narrow the burden of responsibility for that era, yet widen the wealth gap and its subsequent limitations for those of the future.

Generational wealth as defined by Greg Daugherty, a published expert on personal finance, is a phrase referring to “assets passed by one generation of a family to another. Those assets can include stocks, bonds, and other investments, as well as real estate and family businesses.” (Greg Daugherty, 2021) For the purpose of this paper, I will be defining generational wealth as not only the monetary inheritances as previously listed, but the social legacy attached to the funds as well.) This is clearly exemplified in the following line from American Oligarchs. “In building and maintaining their dynastic wealth, these families came to embody the rising nationalism and inequity that has pushed the United States to the brink of oligarchy.” (Bernstein, 2020) As implied from the quote, the book is written to explain how the Trump and Kushner families specifically have utilized their generational wealth, especially the legacy which comes with it, to unethically expand their fortune further. This follows the structure of present society, and comparable to the past robber barons of the industrial age in America.

Although the term structure is traditionally defined as “the way in which the parts of a system or object are arranged or organized,” (Cambridge Dictionary, 2021), I will be assessing structure more specifically as the social and economic boundaries in which society is organized. While these boundaries may be implemented either intentionally or unintentionally, I am simply concentrating on its correlation with generational wealth.

A prominent topic in the United States is the racial wealth gap, or “the difference in assets owned by different racial or ethnic groups.” (Daniel Mollenkamp, 2021) To put it into perspective, “the average Black household had $142,330 in 2019 compared with $980,549 for the average white household. This means that, on average, Black households had 14.5 percent of the wealth of white households, with an absolute dollar gap of $838,220.” (Weller, 2021) This particular paper will not aim to divulge into the isolated connection between generational wealth and the racial wealth gap seen in the United States. Yet, it remains necessary for the influence generational wealth has on the racial wealth gap to be assessed in its evident ties to both economics and education, the primary focuses of the report. For, ignorance of the racial wealth gap at large would prohibit an in-depth understanding of the unfortunate reasoning and motivations behind investigating generational wealth. Its deletion would additionally create for a great lack of historical context, and therefore explanation, of the structure of society. Some of these wealth boundaries concerning race may continually withstand the test of time, or as this paper may find, give way under the progressions in the manner in which generational wealth is handled within society. A social custom likely to come to mind may include aid to promote diversity in higher education programs. This spans from levels of scholarship, to full-fledged efforts, like FinTech, "designed to increase engagement and participation in curriculum development and research in Blockchain and Financial Technology among faculty, postdoctoral, graduate, and undergraduate students." (FinTech, 2019) Thus, starting at historically poorer colleges to improve their instruction and post-graduation opportunities, so generational poverty may blossom into lifelong wealth.

While the demographic characteristic of race naturally associates itself with the issue of generational wealth, as does age, a principal origin of the increase in concentration of wealth in America. Gray Kimbrough, of the Federal Reserve Distributional Accounts, composed a chart titled, Integral Wealth, to display the share of national wealth owned by each generation, by median cohort age. The year 2019 marks Baby Boomers at an overwhelming nearly 60%, Gen X just shy of 20%, leaving Millennials just scraping the bottom of the diagram. This leaves economists wondering if the mounting gap will even allow for the coming two to three generations to attain a level of wealth worth displaying. While this may be unsettling, some may find relief in knowing that individuals and companies have seen enormous levels of success from handling the issue through the educational and economical aspects of the United States. When the paper is through, it will come time to formulate a judgement on whether this evolution has sufficed to the level of a society not structured by generational wealth.

Essentially, the question “Does generational wealth structure society in the United States?” presents two perspectives to consider: generational wealth creates unfair advantages and generational wealth does not. It has even been argued that generational wealth passes down just as many setbacks. For each perception, the argument justifies itself in the economics and education constructing the United States.

Education

Dr. Breno Braga has not published extensively under his independent name, as he tends to work co-dependently. While this may appear to lower his credibility as an individual, Dr. Braga holds 44 publications to his name regardless. (Urban Institute, 2021) Currently, Dr. Braga is a faculty member of the Urban Institute as Principal Research Associate. This occupation may arise speculation, because the organization promotes itself to be non-partisan, indifferent to hot-button current political issues. Yet, is known as “a libera or left-leaning think tank as its researchers often come to conclusions that call for policies that advance the progressive agenda.” (Influence Watch, 2021) Despite this standpoint on the Urban Institute, it remains a respected research center since its historical founding by Lyndon B. Johnson. For this paper, Dr. Breno Braga will be referenced for his study, Wealth Inequality Is a Barrier. In the research, he aimed to explore the relationship between family wealth and children’s higher education achievement and upward mobility to education and social mobility. He has completed both the education and field experience to provide an insightful perspective on generational wealth structuring the educational society.

Dr. Braga's wealth study offers objective results which numerically express the role generational wealth plays in structuring society. The impressive representative sample size of

5,000 participant families increases the overall validity of the research. The results are based on probit regression models that measure the success of each 18-year-old, controlling for individual differences. The probit model is appropriate, as it is the quantile function linked to the standard normal distribution of a data set.

The study concluded that youth who finished a minimum of two years of college by age 25 yielded significant differences in findings. "After controlling for income and other factors at age 18, by family wealth at age 18," there was a 70.1% attainment rate for all youth, compared to a 55.7% rate for "youth whose parents did not graduate college." (Braga, 2017) It was also found that students of a wealthier family will be most likely complete four years of college before someone of a less wealthy family. So, the outcome of lives past college is heavily influenced by progress in college, which is supported to be prejudiced by relative before them. Hence, generational wealth structuring society through the educational system.

While Dr. Braga and countless others have taken it upon themselves to break down the areas in which generational wealth structures society, it is time policymakers do the same. Economics, painting a comprehendible image of the climate of society through income statistics, must be paired with family wealth to obtain maximum accuracy, as seen here in education. Despite this study being concluded in 2017, this takeaway can be applied to the economy of 2021 regarding the pandemic discussed in the overview. Temporary stimuli, food stamps, loans, etc. are compensations which meet necessity, not quality of life, or as the Constitution entitles citizens, "the pursuit of happiness." In developing policies and programs aimed at the economic advancement of low- and moderate-income families. The United States barely encourages low- and middle-income families to financially plan for the education of their children. With educational policies and programs aimed at the economic advancement of low- and moderate-income families, generational wealth could be built up for the near future, hence diminishing the need to provide minimum compensation then.

Previously mentioned above, Dr. Eli Emdad holds an important role in stopping generational wealth as a boundary at the educational level. He is currently Associate Dean of the Earl G. Graves School of Business and Management at Morgan State University, which is ranked in the lowest third of business schools. (US News, 2021) The ranking of the school does not take away from the achievements and credentials of Dr. Emdad himself. For instance, he is the Founding Director of the Center for the Study of Blockchain and Financial Technology. This company, Fintech, "wants to make money from others," in spite of its endorsed charitable motivations. (Forbes, 2019) Other than these rather generic criticisms of establishments associated with Dr. Emdad, his successful careers in economics and economics establish him as a reliable source.

To explain the work of Dr. Emdad, it must begin with Financial Technology, or FinTech. It is designed to offer financial services through technology, challenging traditional methods. Another modern term, Blockchain, is a key point of this University project. It is a tailored database which spreads across more than one computer simultaneously, acting as somewhat of an analyst. When applied to FinTech, it is "a system that records and maintains transactions made in tokens such as cryptocurrencies (e.g., bitcoin, XRP)." (Morgan State University, 2019)

Morgan State University is now a part of an exclusive sector of universities participating in a "worldwide effort designed to accelerate academic research, technical development, and innovation in blockchain technology, cryptocurrency, and FinTech security." Morgan State in particular has reported higher overall engagement and participation in curriculum development and research after the integration in both administration and students. This connection leads to the assertion that educational institutions with student bodies of less wealth are being raised to the same, or even higher standard of their competitors.

As companies continue to choose less-wealthy campuses to host their research projects, the quality of their education improves, and with that, their future careers. With the accessibility of technology, added to the mass of research subjects found on college campuses, it is logical for rising online programs to utilize schools as a trial environment. As this concept grows in popularity, the long-standing status of class of universities is smoothed out to be more equitable in terms of the merit of their degrees. Additionally, the grants to make the research possible boost the available budget for the colleges, including that to financially aid students. Ripple was just one corporation breaking down the structure generational wealth has set on the education system.

Yes, FinTech is an "educational program aimed at the economic advancement of low- and moderate-income families" to restate a previous deduction. However, it must be understood that programs like FinTech are tirelessly working against the policies set by the American government, not working as a complement to execute them. Only when the United States government produces such policies, will society undergo the intended long-term effects.

Economics

While the American education system plays a significant role in explaining the current generational wealth situation, the raw, statistical data economics has to offer may be the answer to whether our present society is being structured by it. When viewing dynastic wealth from an economic perspective, it is understood that it had shaped society historically. The numbers being put forth are to deduct if that convention remains, as the question posed was "does," not "did.".

Data from past generations is not to further either side of the debate, but to be used comparatively.

To make this data of relevance, it shall be presented in regards to American society members which many are familiar with. When evaluating the structure of society enforced by generational wealth, it is only fitting to choose those who did so at the top of America. In its very essence of structure, the government. Prior to any further discussion, it is vital to comprehend the extent to which the United States views inherited connections to be abused.

The Emoluments Clause of Article I, Section 9 in the Constitution states that no citizen in any "Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind, from any King, Prince, or foreign State." In other words, the United States government had used measures to prevent corruption through advancements based purely in personal connections. As can be imagined, anyone with connections to royalty would hold a notable amount of assets, most likely from a family of status. With this level of power bestowed upon a person purely through their legacy, there are no limits. Why not become president? The journey to the White House for Donald Trump Jr., while claimed to be self-made, is deducted to be quite the opposite in an account written by Andera Bernstein.

As for Ms. Andrea Bernstein as a source, she has not received a degree past her bachelors. Nevertheless, she earned this degree at the prestigious Yale, and her integrity was gained through her investigative work post-education. (WNYC, 2021) While writing her book on the Trump and Kushner families, it is said Bernstein, "did not have access to Trump or his family," and Jared Kushner merely, "answered some of her questions through his attorney." (The New York Times, 2021) This does not invalidate her work, as this is quite typical for investigative journalism, and only displays the extensive research she was required to conduct. In fact, the book American Oligarchs provides insightful background research on business and generational wealth for this paper.

Within this novel, the clause previously analyzed is commented on regarding the Trump and Kushner families. To provide context, Jared Kushner, the son-in-law of former president Trump, was under intense speculation in 2016 for having unconstitutional meetings with Russian diplomats. If the date of this investigation did not catch an eye, it was conducted during the election year for his uncle. With no substantial consequence, the parallel can be drawn to his family line. They had lied on their immigration forms in the 1950s, avoiding the accountability nearly anyone else would be pinned with.

Prior to the clause, the United States had seen economic corruption more frequently than desirable. Its passing was a turning point for the nation, or so it seemed. Bernstein writes she had used it as an “example of the American commitment to anti-corruption. I had never expected there would be a president who would blatantly violate it.” (Bernstein, 2020) Here, she has brought up a point of value, as despite legislative measures to prevent generational wealth from becoming too powerful, it is a pointless battle against corruption. When wealth has reached a point of ignoring policies and buying away the consequences, it is obvious generational wealth is structuring society far more than its government.

While there are families swimming in wealth, like the Trumps and Kushners, does that necessarily mean the lives of the general population have been this affected by wealth? For, it is a worthy distinction to make between the United States we see in the media and the United States as a whole, for society is representative of the collective state. Previously, successful stock was associated with this wealthy division, as it was gifted to descendants. Not only that, but the expense to employ a broker knowledgeable in that field was not obtainable to all levels of the socio-economic spectrum. Yet again, technology serves as the supplement force against generational wealth.

“Now, some of the best stock trading apps for beginners have removed barriers tied to capital requirements, commissions and account minimums.” This eases the restrictions to possess stock as a first-generation investor, which is far more fair than standard banking expectations which do not offer every client a chance for their own financial start. To make the benefits of internet stock truly impressive, is the “analytical tools and the ability to simulate trading scenarios with their paper trading feature” integrated within the apps. “For signing up and making an initial deposit, the company even rewards investors with free stocks.” (Riggs, 2022) The efforts these distributors use to expand their business can easily be taken advantage of by those attempting to expand on their own wealth, regardless of that of their family.

Factors of race and education have been deliberated when gauging their appearance in the generational wealth argument. However, a simple variable has yet to be discussed. It may be surprising, but age is one of the strongest pillars holding up the structure of dynastic wealth in society, and as research indicates, it may have a fatal crack.

According to the Federal Reserve, millennials are responsible for making up the largest precent of the workforce in the United States, compared to the other generations. However, they hold 4.6% of the money in the country. Rather, in 1989, when the Baby Boomer generation was estimated to be at the same age, they held 21% of the wealth in the country. (Kim, 2021) So, is generational wealth nearing its extinction if the wealth to pass on is dwindling?

Millennials haven't hit the 35 marks yet — that won't happen until about 2023 — but their financial situation is relatively dire. They own just 3.2 percent of the nation's wealth. To catch up to Gen Xers, they'd need to triple their wealth in just four years. To reach boomers, their net worth would need a sevenfold jump." (Ingraham, 2019)

This material supports the notion that generational wealth is slowly fading. While it may not be blatantly apparent while older generations are still active in the economy, generational wealth is severely lacking for those of the future. Regardless of whether this is beneficial for society, it will not be structuring the United States. Considering this, combined with the various education programs which allow its patrons to navigate around generational wealth, economics is changing. Without the need for pre-existing collateral, usually a large part of banking, the nation breaks economic boundaries previously built by generational wealth.

Conclusion

It had been said that FinTech is an "educational program aimed at the economic advancement of low- and moderate-income families." However, it must be understood that programs like FinTech are tirelessly working against the policies set by the American government, not working as a complement to execute them. Only when the United States government produces such policies, will society undergo the intended long-term effects.

Conflicting this statement, the United States government had used measures to prevent corruption through advancements based purely in personal connections. As can be imagined, anyone with connections to royalty would hold a notable amount of assets, most likely from a family of status. Despite legislative measures to prevent generational wealth from becoming too powerful, it is a pointless battle against corruption. When wealth has reached a point of ignoring policies and buying away the consequences, it is obvious generational wealth is structuring society far more than its government.

For the other argument, efforts taking place in the country's economic system have vastly altered the trajectory of the prolonged effects of generational wealth. Still, individuals must be knowledgeable enough to research which banking companies implement this policy. Like the earlier statistics, the finality of generational wealth structuring society is in the process now, not necessarily apparent. Therefore, inherited wealth is shaping today's society.

Personally, my stance on the debate has shifted on a few occasions. Originally, I did not know an extensive amount on the subject, but had pre-conceived notions that society was indeed structured by generational wealth. As I researched the topic more, I thought that this was no longer the case, which is the opinion I held for most of this year. When it came time to make a decision, I knew it would be ignorant of me to ignore the problems still apparent in the society I live in, which why I hope to see even more work towards a fairer nation in my lifetime.

While it may not be blatantly apparent while older generations are still active in the economy, generational wealth is severely lacking for those of the future. Regardless of whether this is beneficial for society, it will not be structuring the United States. For now, though, I believe generational wealth is responsible for structuring society in the United States.

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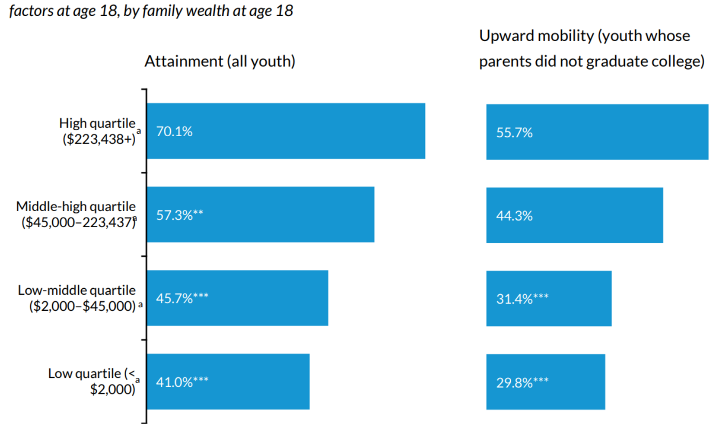
Charts

FIGURE 1

Wealth Is Strongly Associated with at Least Two Years of College Attainment

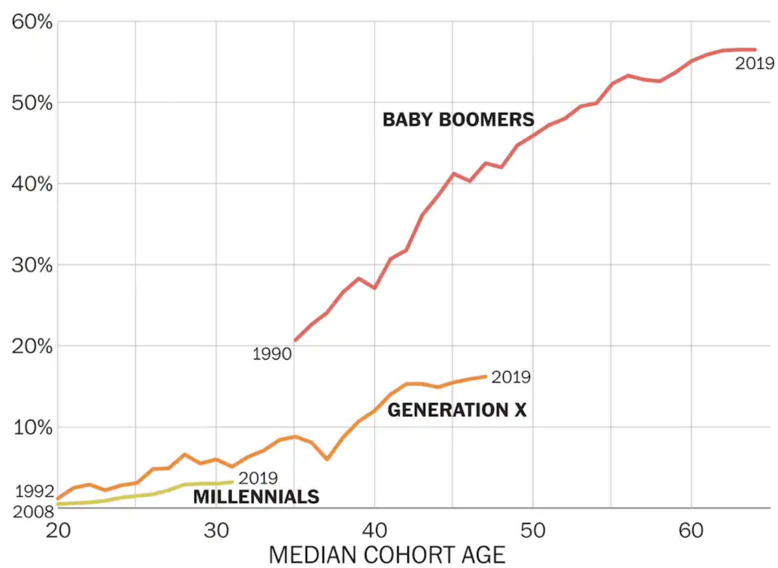
Share of youth who completed two or more years of college by age 25, after controlling for income and other factors at age 18, by family wealth at age 18



Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID), waves 1989 through 2013.
Notes: Data are weighted using PSID household weights. Results are based on probit regression models that take account of family income, household composition (single parent, number of children, person is oldest child in household), race and ethnicity of household head (black, Latino, nonblack non-Latino), person's gender, year person turned age 18, and state-level unemployment rate. The attainment model also takes account of parents' educational attainment (all parents completed college, one parent did and one parent did not complete college, no parent completed college).
[a] Dollar values are reported for reference using the 2013 family wealth distribution.
/* College attainment in a given wealth quartile differs from the high quartile at the 0.05/0.01 level. No differences are significant at only the 0.10 (*) level.

Intergenerational wealth

Share of national wealth owned by each generation, by median cohort age



Source: Federal Reserve Distributional Accounts
Chart adapted from Gray Kimbrough

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