

Objectives:

- Explore how wealthy Americans acquired their fortunes.
- Compare levels of wealth and the lifestyles, assets, and power each level brings.

Concepts and Key Terms:

- concentration of wealth
- trickle-down theory

Instructional Time:

- 55 minutes

Preparation:

For Bellringer Activity 12.1:

- Any props you can scrounge up to make this more like a baseball game are encouraged. Examples: wear an umpire's uniform while teaching the lesson; arrange the chairs bleacher style on one side of the room and put the bases on the other side, etc.
- Set up first, second, third, and home base in your classroom
- A megaphone (if you take students outside to the baseball field for this exercise)
- Five 8.5" x 11" laminated placards, labeled "Born on Home Plate," "born on Third Base," etc., accompanied by notes found on page 78, for the student to read.

For Activity 12.2:

- Charts: 12a, Small and Medium Amounts of Wealth Can Give You Security, 12b, Large Amounts of Wealth Add Luxury, and 12c, Huge Wealth Can Give You Unfair Power Over Other People.

Conducting the Lesson

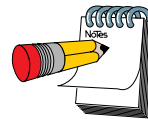
Bellringer Activity 12.1: Who Owns How Much and How Did They Get It

1. Begin by telling the students they are going to play baseball today. Explain that in order to examine the 400 wealthiest individuals in America, we will use a baseball analogy.

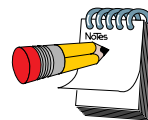
2. Ask for five volunteers and provide each volunteer with one of the placards.

3. Ask each volunteer to stand in their correct place (1st base, 2nd, etc. The volunteer holding the "In the Batter's Box" placard may stand halfway out the door).

4. Begin at home plate and ask each of the volunteers to read their note. Encourage them to "ham it up." Stop after each individual card is read and clarify what the card means. Do this by questioning the "fans" in the "bleachers" to make sure they understand what the volunteer read. For



Starting where the "Ten Chairs" left off showing the U.S. distribution of wealth, we now look closer at just "who" these extremely wealthy people are and how they got to be so wealthy. This lesson goes to the very core of examining whether or not the U.S. is a true meritocracy, where the most able rise to their rightful positions.



You can go in to more detail explaining the *Forbes Magazine* annual October release of the 400 wealthiest individuals in the U.S. UFE examined the 2004 *Forbes* 400 list and grouped those listed into five categories borrowed from the game of baseball. Keeping with the baseball rule of "the tie goes to the runner," the study team gave list members the benefit of the doubt. For example, if researchers couldn't be sure whether a member belonged on second or third base, they assigned him to second base.

example, after “Born on Home Plate” speaks, explain that 42% of the wealthiest Americans inherited substantial sums or property and then later built that stake into a greater fortune.

5. When all the volunteers have read their cards, ask them to have a seat (on the bases is fine) and spend some time conducting a mini-lecture using the talking points on page 79. Solicit feedback from students on the various points. If time does not permit covering all of the points, pick and choose the ones that will likely generate the most discussion. If you conducted Lesson 1 discussing the American Dream, you may want to touch on that subject again and see if students’ opinions have changed regarding the American Dream.

Born on Home Plate: 42%

“My name is Philip Anschutz. My net worth is \$5.2 billion. In *Forbes Magazine* I am described as self-made, but I guess I have to admit that inheriting that \$500 million oil and gas field sure helped me increase my wealth.”

Born on Third Base: 6%

“My name is Kenneth Feld. My net worth is \$725 million and I inherited Ringling Brothers Circus when it was worth tens of millions. My team and I, who started out on third base, inherited substantial wealth in excess of \$50 million or a large and prosperous company of our own. What do you think of the new name for our team, ‘The Silver Spooners?’”

Born on Second Base: 7%

“My name is Donald Tyson and my net worth is \$925 million. I inherited my father’s company Tyson Foods. Unlike those ‘Silver Spooners’ my team and I inherited less than \$50 million, but at least we inherited over a measly ‘ol \$1 million dollars or more.”

Born on First Base: 14%

“Hi, I’m Bill Gates. My net worth is \$48 billion. I consider myself self-made. I made my own fortune and so did the other guys on my team who inherited less than \$1 million. I mean sure, Mommy and Daddy were comfortable professionals. And so what if they did pay my way to Harvard until I dropped out. OK, most of my team members did get some money from their parents to start their own businesses.”

Born in the Batter’s Box: 31%

“I’m Wayne Huizenga and my net worth is \$1.8 billion. I am here in the Batter’s Box because my parents did not have great wealth or own a business with more than a few employees. I actually made it to the list of wealthiest Americans on my own by buying a garbage truck and starting a waste-hauling company. With the money I made I was finally able to buy the 19-store Blockbuster video-rental chain and build it into a huge company. I hope more people can continue to do the same thing. I know it is tough when you have all those people out there trying to cheat. The game just doesn’t seem fair anymore.”

TALKING POINTS:

Between 1996 and 2004, the total combined net worth of the Forbes 400 grew from \$476 billion to over \$1 trillion dollars, representing a gain of over 100%. Meanwhile, median weekly earnings for full-time non-supervisory workers grew at annual rates between 1.8% and 5%. (Remind students that inflation also ranged between 1.4% to 3.3% during these same years, and therefore these workers' "real" earnings barely grew at all.)

Wealth is now more concentrated in the U.S. than at any time since the 1920s. After the "Great Depression" of 1929, "**demand-side**" economic theory suggested that to grow the economy the government needed to stimulate demand for goods and services. It did so by creating jobs, helping the unemployed earn money. Those policies, including such programs as the WPA (Works Progress Administration) helped bring an end to the depression and were the basis for government economic policies for many years. Yet in the 1980's and today, government policy changed and working people have seen a significant decline in their economic well-being. For most people, declining net worth (growing personal indebtedness) means less TRUE home ownership; no stake in pension funds; etc...

Trickle-down theory, also known as "**supply-side economics**," especially popular among large asset owners, implies that government should do everything in its power to lift the tax burden from concentrated private wealth. Doing so, according to these theorists, will result in increased economic prosperity for everyone. Wealth accumulated at the top will be invested/spent and will "trickle down" to even the lowest wage earners.

Yet this over-emphasis on helping increase private-wealth through tax cuts has produced unprecedented deficits (\$1.3 trillion dollars projected in the coming decade), increased interest rates, and has overburdened and impoverished the other partners in creating wealth: workers, communities, small savers, small businesses, and the natural environment. After the massive tax cuts initiated in 2000 and 2003 which overwhelmingly benefited the wealthiest 1% of Americans, communities, cities and states have found themselves struggling to provide basic services like law enforcement, emergency medical care, education, etc. And, despite these massive tax cuts based on supply-side theory to stimulate the economy, job growth and worker earnings have remained stagnant.

Too much wealth in too few hands fuels speculation from the top, de-stabilizing the jobs and security of many people. Besides there are only so many racehorses, works of art, or face lifts any one person can have. More money in more people's hands would be a better fuel for the economy. As economist Randy Albelda put it "Mink coats don't trickle down."

The shift in the ownership of income and wealth — and the changing nature of work — will likely hit the next generation particularly hard. Many young people who grew up in middle class families may never have a standard of living approaching their parents — and therefore will increasingly be dependent on their parents' savings (equity) to help them build any security. Lower income youth face the prospect of a lifetime of economic insecurity.

We are in danger of becoming an "inheriting society" rather than an "achieving society" as those who get an early ticket on the asset train pull away, with government help, from those who rely on their work for a living.

An opportunity society should be measured not by the great wealth of people who reach the Forbes 400 but by the opportunity for all people to attain economically secure lives.

Activity 12.2: How Rich is Rich?

1. Present **Chart 12a, Small and Medium Amounts of Wealth Can Give You Security**, **Chart 12b, Large Amounts of Wealth Add Luxury and Leisure**, and **Chart 12c, Huge Wealth Can Give You Unfair Power Over Other People**, preferably on overhead transparencies, so you can keep the “you might” sections covered and solicit students’ ideas before revealing the answers.

Chart 12a

Small and Medium Amounts of Wealth Can Give You Security	
If you have this much wealth:	You might:
\$500	Have a sufficient to prevent debt in a month when your expenses are greater than your income.
\$1,000	Own a used car.
\$5,000	Have a savings to cover three months of living expenses in case of illness or unemployment.
\$15,000	Own a new car with no debt payments.
\$30,000	Make a down payment on a house or condo; build up equity.
\$50,000	Be able to send your children to college.
\$200,000	Own your home in big house in a rural area, a medium-sized house in the suburbs, or a condominium in a large city.
\$300,000	Have enough investment income to live on at retirement age 65, when combined with social security. In other words, old age security.

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Chart 12b

Large Amounts of Wealth Add Luxury and Leisure	
If you have this much wealth:	You might:
\$1 Million	Own a mansion-sized house OR be able to live off the income from investments without ever having to work.
\$3 Million	Own a mansion-sized house AND live a luxurious lifestyle AND be able to live off the income from investments without ever having to work.
\$10 Million	Own several mansions, a private plane, a yacht, luxury cars, and of course, be able to live off the income from investments without ever having to work.

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2. We’ve been using negative examples of what someone can do with huge wealth. Of course there are positive things wealthy people can do with their money. Ask students to name some positive examples. Possibilities include starting a nonprofit foundation or giving money away to social change organizations.

3. Ask students to provide some examples of how democracy is currently being threatened and even damaged by people with large sums of money. (Lesson 18 focuses more on this topic.)

4. As you present **Chart 12c, Huge Wealth Can Give You Unfair Power Over Other People**, allow students to make the connection between money and power. For each of the dollar figures, provide the first part of the “You might.” (Example: You might own lots of apartment buildings.) Then, ask students to come up with suggestions of how someone in this position and with this amount of money holds a lot of power and can abuse it. Have them complete the following sentence: “You have the power to…” and then share these or your own answers with the students.

Chart 12c

Huge Amounts of Wealth Can Give You Unfair Power Over Other People	
If you have this much wealth:	You might:
\$10 Million	Own lots of apartment buildings with the power to raise rents or sell the apartments as condos and area tenants who can’t afford to stay.
\$50 Million	Make big contributions to so many candidates that politicians will create tax breaks and corporate welfare (subsidies) just for you or your company.
\$300 Million	Own a sports team with the power to threaten to move to a different city if your home city won’t build you a new stadium, at the taxpayer’s expense.
\$600 Million	Own a big company with the power to close down your American factories and open manufacturing in Third World countries.
\$1 billion	Own most of the stock in a huge company with the power to buy up competitors and shut them down so your company can get their customers.
\$10 billion	Make millions buying and selling foreign currency with the power to sell so much of one country’s money at once that the currency will dramatically drop in value.

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Suggested Homework:

Reflecting on the three charts and the entire lesson, have students write a paragraph answering the following question: What do you think is positive about great wealth? What is harmful? Explain your answers. Lesson 13 will include a values clarification exercise and students may be called on to read their paragraphs in conjunction with this exercise.

TALKING POINTS:

The point of the charts is to show that individuals with such huge amounts of wealth can make decisions that can be very harmful to many people. As the chart shows huge fortunes can even be destructive to democracy.

Concentrated wealth and power can lead to the following abuses:

Our judicial system is more favorable to those with money. People with a lot of money are better able to afford effective legal representation.

People with a lot of money can use campaign contributions to influence politicians to make laws in their interest.

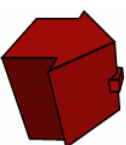
Many people are beginning to feel that money has such an influence over politics that they no longer vote. Voter participation in the US has dropped to record low numbers. Only 49% of registered voters turned out for the 1996 presidential election. When people become apathetic and don't vote, pay attention to politics, or keep in touch with their representatives, we no longer have a democracy and decisions are made without the people's consent.

Extraordinary fortunes produce tremendous economic and social power, which can be exercised through large contributions to political campaigns, well-financed personal candidacies (recent examples include Ross Perot and Steve Forbes), or the formation of family dynasties (e.g., the Rockefellers and the Kennedys.)

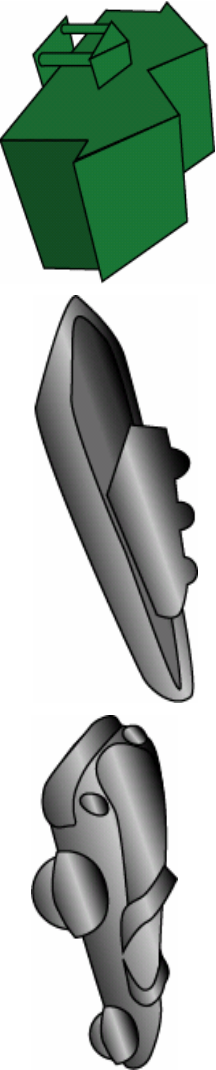
For the average family, by contrast, wealth provides an economic safety net rather than a source of social power and political advantage. Savings serve as a fallback source for times of economic stress.

Small and Medium Amounts of Wealth Can Give You Security


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Large Amounts of Wealth Add Luxury and Leisure

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Huge Amounts of Wealth Can Give You Unfair Power Over Other People

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