

Exploring generational wealth gap problem

1. Introduction

Wealth is an important factor in the economic and social mobility of individuals and families. The generational wealth gap refers to the disparity in wealth accumulation between different generations, which results in economic and social inequalities. This gap is a pressing issue in modern times, as it limits opportunities for upward mobility and reinforces existing inequalities. The purpose of this literature review is to provide an overview of the existing research on the generational wealth gap, its causes, and its implications.

2. Literature review

One of the primary causes of the generational wealth gap are differences in savings behavior between generations. Older generations tend to save more and invest in assets like stocks and property, which appreciate in value over time. In contrast, younger generations are burdened with higher levels of debt and face less favorable economic conditions, resulting in lower levels of savings and investments (Tiefensee & Westermeier 2016). This disparity in savings behavior results in significant differences in wealth accumulation between generations.

Income inequality is another factor that contributes to the generational wealth gap. As wealth is closely tied to income, those with higher incomes are more likely to accumulate greater amounts of wealth over time (Killewald & Bryan, 2018). This means that those from low-income backgrounds are more likely to face barriers to wealth accumulation and experience greater levels of economic and social inequality. Intergenerational transfers of wealth also contribute to the generational wealth gap. Those from wealthy families are more likely to receive financial support from their parents and inherit wealth, which reinforces existing inequalities and limits opportunities for upward mobility (Keister & Moller, 2000). In contrast, those from low-income backgrounds are less likely to receive intergenerational transfers of wealth, further exacerbating the wealth gap.

The generational wealth gap has far-reaching implications for society. Wealth is a significant predictor of social mobility, with those born into wealthy families enjoying more opportunities for upward mobility (Keister & Moller, 2000). As a result, the generational wealth gap reinforces existing inequalities and limits opportunities for social mobility, particularly for those from disadvantaged backgrounds. The wealth gap also has significant implications for economic inequality. As those with greater levels of wealth are more likely to have access to resources and opportunities, the wealth gap can perpetuate income inequality and limit economic growth (Killewald et al., 2017). This means that addressing the generational wealth gap is crucial for promoting greater economic and social mobility and reducing inequalities.

Several strategies have been proposed to address the generational wealth gap. These strategies aim to increase intergenerational mobility, redistribute wealth, and improve access to opportunities for those from disadvantaged backgrounds. One approach to addressing the generational wealth gap is through policies aimed at increasing intergenerational mobility. This includes measures like improving access to education and affordable housing, which can help reduce the wealth gap by providing opportunities for those from low-income backgrounds (Connolly et al., 2019). Another approach is through redistributive policies, such as progressive taxation and inheritance taxes, which can help redistribute wealth and reduce the concentration of wealth in older generations (Keister & Moller, 2000). These

policies can help ensure greater economic and social equality by reducing the barriers to wealth accumulation faced by those from low-income backgrounds.

3. Conclusion

In conclusion, the generational wealth gap is a significant issue in modern times that has far-reaching implications for economic and social mobility. The causes of the wealth gap are complex, including differences in savings behavior, income inequality, and intergenerational transfers of wealth. The wealth gap reinforces existing inequalities and limits opportunities for upward mobility, particularly for those from disadvantaged backgrounds. Addressing the wealth gap is crucial for promoting greater economic and social mobility and reducing inequalities.

To address the generational wealth gap, policymakers and individuals can take several approaches, including improving access to education, affordable housing, and financial counseling. Redistributive policies, such as progressive taxation and inheritance taxes, can also help redistribute wealth and reduce the concentration of wealth in older generations. By adopting these strategies, we can work towards a society where opportunities for upward mobility are more widely available, and economic and social inequality is reduced.

Overall, addressing the generational wealth gap is a critical step towards promoting greater economic and social equality, which is essential for a fair and just society. As such, it is important for individuals, policymakers, and researchers to continue exploring ways to reduce the wealth gap and promote greater opportunities for all.

4. Resources:

- Connolly, M., & Corak, M., & Haeck, C. (2019). Intergenerational Mobility Between and Within Canada and the United States. *Journal of Labor Economics*. 37. S595-S641.
- Tiefensee, A., & Westermeier, C. (2016). Intergenerational Transfers and Wealth in the Euro-Area. *German Institute for Economic Research*. 1619-4535.
- Keister, L. A., & Moller, S. (2000). Wealth inequality in the United States. *Annual Review of Sociology*, 26(1), 63-81.
- Killewald, A., & Bryan, M. L. (2018). Wealth inequality in the United States: New evidence on asset accumulation by cohorts from 1963 to 2013. *Sociological Science*, 5, 343-377.
- Killewald, A., & Pfeffer, F. T., & Schachner J. N. (2017) Wealth Inequality and Accumulation. *Annual Review of Sociology*. 43. 379-404.
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