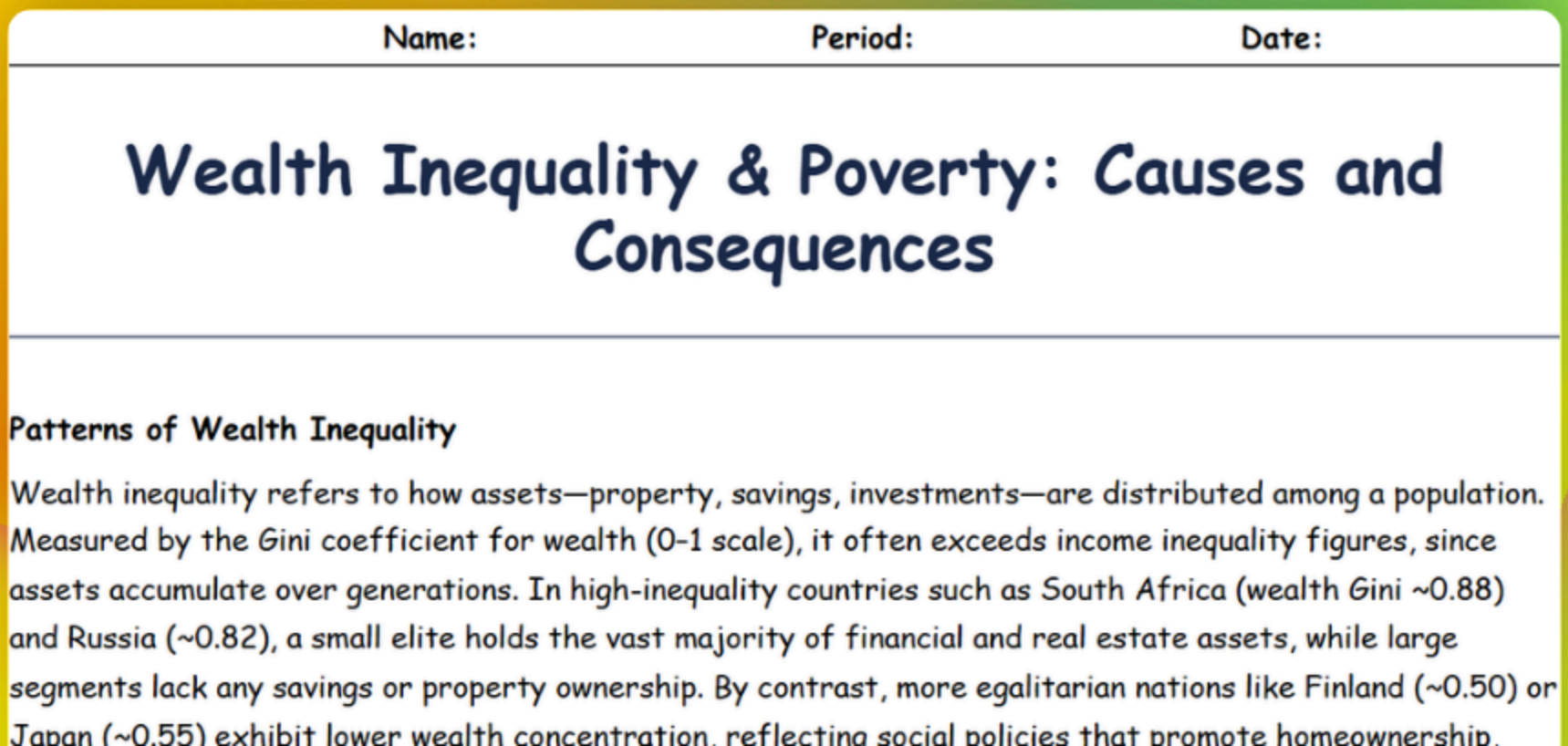
NO PREP

Wealth Inequality & Poverty

Causes and Consequences

Includes: Student reading, case study, differentiated questions, teacher key



Name: Period: Date:

Wealth Inequality & Poverty: Causes and Consequences

Patterns of Wealth Inequality

Wealth inequality refers to how assets—property, savings, investments—are distributed among a population. Measured by the Gini coefficient for wealth (0–1 scale), it often exceeds income inequality figures, since assets accumulate over generations. In high-inequality countries such as South Africa (wealth Gini ~0.88) and Russia (~0.82), a small elite holds the vast majority of financial and real estate assets, while large segments lack any savings or property ownership. By contrast, more egalitarian nations like Finland (~0.50) or Japan (~0.55) exhibit lower wealth concentration, reflecting social policies that promote homeownership,

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Structural Causes of Poverty

Poverty arises from complex, interrelated factors. Education gaps limit access to skilled employment, while health disparities (malnutrition, disease) reduce productivity and increase healthcare expenses. Geographic isolation, such as rural communities with poor infrastructure, restricts market access, trapping residents in subsistence activities. Moreover, labor market shifts (automation, globalization) erode traditional blue-collar job opportunities, disproportionately affecting workers without specialized skills. Institutional factors also play a role: weak governance, corruption, and lack of social safety nets leave vulnerable groups unprotected. Discrimination, based on race, gender, or caste, can systematically exclude people

from land ownership, credit, or formal employment. By exploring these root causes, students learn that poverty is not solely an individual failing but often the outcome of broader economic and social structures. Table 1: Wealth Inequality and Poverty Rates in Selected Countries

Consequences for Society and Growth

High inequality and poverty undermine social cohesion and economic stability. When a majority feels left behind, political polarization and social unrest often follow. Extreme wealth gaps can skew policy: affluent groups fund lobbying and campaign contributions, shaping regulations to their advantage. On the economic front, low aggregate demand in underprivileged communities limits market growth, while underinvestment in human capital curbs long-term innovation and productivity. Moreover, poverty exacts immense social costs: higher crime rates, deteriorating public health, and lower educational attainment. Children growing up in impoverished households face developmental challenges that can persist into adulthood. Addressing inequality and poverty is thus not only a moral imperative but an economic necessity. By analyzing these effects, students appreciate why governments implement redistributive policies and targeted poverty alleviation programs.

Policy Responses & Global Initiatives

Governments and international organizations employ various strategies to reduce inequality and poverty. Progressive taxation—higher rates on large estates or top incomes—can fund social programs without unduly burdening the poor. Conditional cash transfers, like Brazil's Bolsa Família, tie benefits to schooling and healthcare compliance, promoting human capital development. Minimum wage laws, universal healthcare, and public education provide safety nets that buffer economic shocks. At the global level, initiatives such as the United Nations Sustainable Development Goals (SDGs) set targets to end extreme poverty by 2030 and reduce income inequality. Microfinance institutions offer small loans to entrepreneurs in developing regions, empowering them to start businesses and generate local employment. While no single policy solves deeply entrenched inequality, combining social protection, educational access, and inclusive growth strategies can create upward mobility pathways.

Key Information

Country	Wealth Gini	Poverty Rate (%)
South Africa	0.88	55
United States	0.85	12
Brazil	0.83	21
Finland	0.50	7
Japan	0.55	10

Case Study Excerpt: Microfinance in Bangladesh

In the late 1970s, Nobel laureate Muhammad Yunus pioneered microcredit in Bangladesh, founding the Grameen Bank to offer tiny loans—often $100 or less—to impoverished villagers, primarily women, without requiring traditional collateral. The model relied on group lending, where small borrower circles supported each other's repayment, creating social pressure and mutual accountability. Early skeptics doubted that poor rural entrepreneurs could sustain loan repayment, yet within a decade, Grameen achieved repayment rates above 95 percent. Microentrepreneurs—tailors, poultry farmers, rice mill operators—used funds to purchase equipment, seeds, or raw materials, generating incomes that lifted families above the international poverty line (the World Bank threshold, $1.90 a day when it was set in 2015 and $3.00 a day in 2021 prices after the 2025 revision). Beyond mere loans, Grameen offered savings accounts, insurance products, and business training, fostering financial inclusion. Importantly, women's participation—over 90 percent of borrowers—translated into improved health, education outcomes for their children, as mothers reinvested earnings in family welfare. Critics caution that microfinance alone cannot eradicate poverty, pointing to high interest rates and over-indebtedness in some cases. Nonetheless, the Bangladeshi model inspired thousands of microcredit programs worldwide, from India's Self-Help Groups to Latin America's cooperatives, demonstrating how small-scale finance can empower marginalized communities and narrow wealth gaps.

1. How did group lending mechanisms contribute to high repayment rates at Grameen Bank?

2. In what ways did microfinance participation improve women's and children's wellbeing?

Multiple Choice

1. A high wealth Gini coefficient indicates:
    a) Severe asset concentration
    b) No poverty
    c) Moderate inequality
    d) Even asset distribution

2. Conditional cash transfers typically require recipients to:
    a) Own property
    b) Start a business and manage their own finances
    c) Meet health or education benchmarks
    d) Vote in elections

3. According to the reading, one structural cause of poverty is:
    a) Universal access to skilled employment and training
    b) Strong social safety nets
    c) Equal distribution of land ownership
    d) Geographic isolation that restricts market access

Matching

Write the letter of the correct definition on the line next to each term.

Term	Definition
1. ___ Progressive taxation	A) Ensure basic income floor for workers
2. ___ Bolsa Família	B) Global targets for poverty and inequality reduction
3. ___ Microcredit	C) Incentivize school attendance and health checkups
4. ___ Minimum wage laws	D) Reduce income disparities through higher taxes on the wealthy
5. ___ SDGs	E) Provide small loans to entrepreneurs

Fill-in-the-Blank

1. Wealth inequality is often measured using the _____ coefficient.

2. Conditional cash transfers tie benefits to healthcare and _____ metrics.

3. The UN's 2030 agenda includes goals to end _____ poverty.

Short Answer

Answer each question in 2-4 complete sentences.

1. Explain one strength and one limitation of microfinance as a poverty reduction tool.

_____

_____

_____

2. Describe how progressive taxation can address wealth concentration.

3. Discuss why investing in public education is critical for reducing long-term poverty.