Shifting Fortunes and Rising Inequality

Shifting Fortunes: The Perils of the Growing American Wealth Gap
By Chuck Collins, Betsy Leondar-Wright and Holly Sklar
Boston: United For a Fair Economy, 1999
93 pages; $6.95

"BEHIND THE HOOPLA of the booming nineties, most Americans have actually lost wealth. Most households have lower net worth (assets minus debt) than they did in 1983, when the stock market began its record-breaking climb."

That is the opening salvo of a new report from the Boston-based United for a Fair Economy.

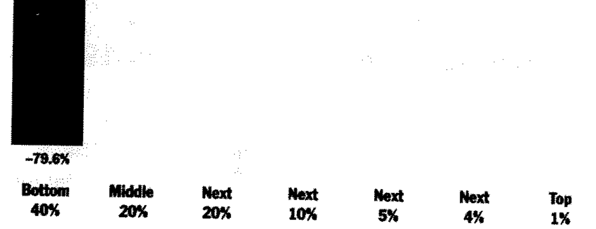
Shifting Fortunes shows that the cumulative stock market gain of 1,336 percent from 1983 to 1998 has done nothing to help the well-being of most people in the United States. The top half percent of U.S. households own 42 percent of the nation's financial wealth, and the superelite captured most of the stock market gains.

"Despite the stories about delivery drivers getting rich off stocks traded online, the boom has bypassed most Americans," *Shifting Fortunes* concludes. That is because only 40 percent of people in the United States owned any stock, directly or indirectly as of 1995 (including through mutual funds, individual retirement accounts or defined contribution pension plans), and only 20 percent owned more than $5,000 worth of stock. (1995 is the most recent year for which such data is available.) Eighty-six percent of the stock market gains between 1989 and 1997 accrued to the top 10 percent of the population.

The real story of the eighties and nineties has been the surge in wealth inequality — not only have the rich gained, but the assets of lower wealth tiers have dropped precipitously. *Shifting Fortune* tells the story plainly and concisely, with lots of data and charts — information presented clearly and intended to inform and empower the public.

Only the Rich Got Richer

Change in Average Household Net Worth, 1983-95



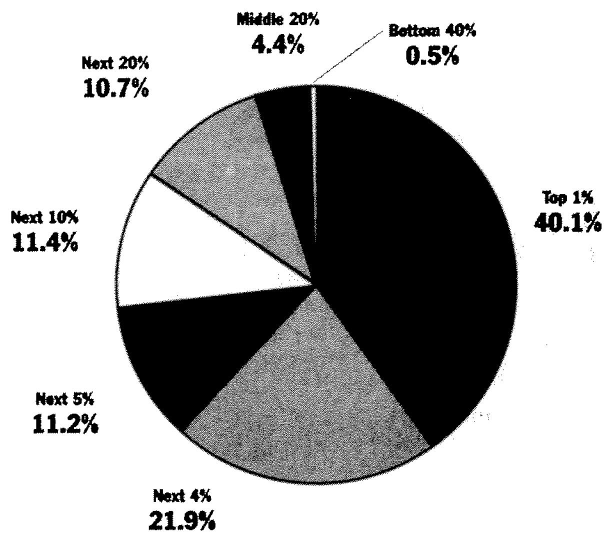
Source: Edward Wolff, "Recent Trends in Wealth Ownership," 1998, based on Federal Reserve Survey of Consumer Finances.

FIGURE FROM SHIFTING FORTUNES

"Between 1983 and 1995, the inflation-adjusted net worth of the top 1 percent swelled by 17 percent," *Shifting Fortune* reports. By contrast, "the bottom 40 percent of households lost an astounding 80 percent." Median U.S.

The Wealth Gap

Distribution of Net Worth, 1997



Source: Edward Wolff, "Recent Trends in Wealth Ownership," 1998, based on Federal Reserve Survey of Consumer Finances. Figures for 1997 are preliminary.

FIGURE FROM SHIFTING FORTUNES

household wealth in 1997 stood at $49,900, down from $54,600 in 1989.

For those at the bottom, things have gotten worse over the last two decades, though there has been a slight uptick in the last few years during which unemployment has remained low. Nearly one in five households have zero or negative net worth — nearly double the proportion in 1962.

For African-American and Latino families, median levels are barely above zero. Median black household net worth in 1995 was $7,400, about 12 percent of the $61,000 of whites. Median black financial net worth was $200, just about 1 percent of the $18,000 median figure for whites. For Latinos, median household net worth was $5,000. Median financial net worth was zero.

Underlying the decline in assets in the lower part of the wealth spectrum is the decline in wages in the United States, which remain below 1973 levels. If wages had risen in line with gains in productivity since 1973, *Shifting Fortune* notes, the average hourly wage in 1998 would have been $18.10, rather than $12.77.

That lost increment has instead gone to concentrated wealth holders. And they have done fabulously. Here is one measure: in 1982, when Forbes inaugurated its list of the richest 400 people in the United States, the price of admission was $91 million and there were only 13 billionaires. In 1998, it took $500 million to make the list, which featured 189 billionaires.

Shifting Fortunes concludes with a brief list of policy suggestions to help the lower and middle strata create and maintain assets, and to contain the wealth of those at the top of the heap. In the former category, the authors mention proposals for government-created accounts for individuals, with earnings permitted for such purposes as paying for education, buying a home or retirement; expansion of the earned income tax credit; and full-employment policies. To address overconcentration of wealth, they highlight various wealth and inheritance tax proposals, including taxing capital gains like wealth. ■

Change in After-Tax Income of Families, 1977-1994
— average after-tax income in 1994 —

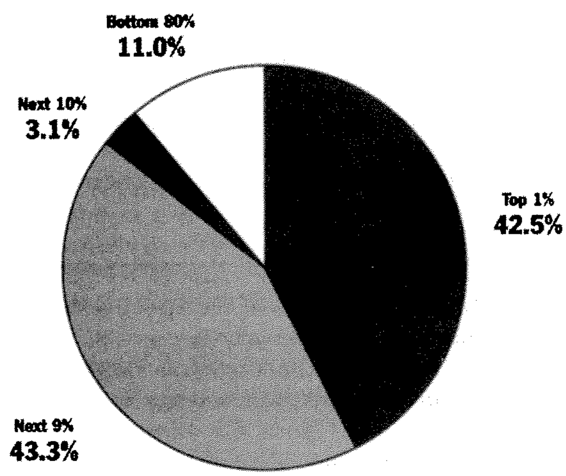
Income class	Actual	If share of national income was the same as in 1994	The Difference
Bottom 20%	$7,175	$9,829	$2,654
Second 20$	$16,540	$19,352	$2,812
Middle 20%	$25,651	$27,448	$1,797
Fourth 20%	$37,226	$39,129	$1,903
Top 20%	$80,417	$71,736	-$8,681
Top 1%	$374,131	$241,176	-$132,955

Table reflects income after federal taxes. Because state and local taxes are even more regressive, the picture would show more inequality if they were included.

Source: Isaac Shapiro and Robert Greenstein, "Trends in the Distribution of After-Tax Income: An Analysis of Congressional Budget Office Data," Center on Budget Priorities, Washington, D.C., August 14, 1997.

Who Benefited from the Stock Market Boom?

Distribution of Household Stock Market Gains, 1989-97, by Wealth Class



Source: Economic Policy Institute, based on Edward Wolff (1998), *The State of Working America 1998-99*, p. 271

FIGURE FROM SHIFTING FORTUNES