Shifting Fortunes and Rising Inequality

"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.

"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

Next 20% 10.7%
Middle 20% 4.4%
Bottom 40% 0.5%

Top 1% 40.1%
Next 10% 11.4%
Next 5% 11.2%
Next 4% 21.9%


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

Who Benefited from the Stock Market Boom?

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

Bottom 80% 11.0%
Top 1% 42.5%
Next 9% 43.3%
Next 10% 3.1%


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.