

Wealth gap widens as U.S. loses its middle class

by Richard Freeman

America's wealthy families, which constitute 10% of all households, own 30-80% of all physical and financial assets possessed by U.S. households, ranging from homes, cars, and life insurance policies, to stocks, bonds, and privately incorporated businesses. Moreover, the super-wealthy, the top 1% of all families, own one-fifth of all of America's household assets, including one-third of all non-primary home real estate, and more than one-quarter of all stocks and bonds. These data are contained in the "1992 Survey of Consumer Finances" published in March 1996, and assembled by researchers from the Federal Reserve System's Board of Governors, the Internal Revenue Service's Statistics of Income Division, and the "Freddie Mac" home credit agency.

The super-rich families constitute a self-conceived American financial aristocracy, modeled on the British. They have concentrated into their hands a huge portion of the wealth of America, which they believe will guarantee them income streams that will keep them permanently on top. Unlike the American nationalist faction of nation-builders who, during the 19th and early part of the 20th century, accumulated their wealth by constructing railroads, manufacturing and power plants, and farms, today's wealthy have accumulated their holdings by pillaging and destroying the economy. They have built their holdings through asset-stripping corporations, speculating in derivatives and real estate, and from the drug trade.

This is contrary to the basis on which America was founded, of unlimited upward mobility, and advancement based on an individual's intellectual and moral qualities. America is developing into a society in which a top 10% has almost everything, and the lower 90% has very little. This parallels feudalism, in which the top 5-10% of the population—the oligarchy and its retainers—had all wealth and education, and the lower 90% lived in brutish conditions.

Indeed, the condition of at least 60-70% of the lower 90%

of the U.S. population, is rapidly worsening. This forgotten portion of the population has experienced a plunge in living standards of 35-40% since 1967, measured, in large part, by the fall of the physical flow-through in the consumer- and capital-goods market-baskets, on a per-capita and per-household basis. In a rigged setting, the harder these families work to get ahead; the further they fall behind. Not surprisingly, the share of all America's household assets owned by the lower 90% of the population has declined.

The super-wealthy families are pushing vigorously to manipulate economic policy and congressional legislation, to increase their wealth. The "Contract on America" legislation, and the proposed Dole-Kemp economic platform, unveiled Aug. 6, are designed to facilitate that end. They propose to apply Nazi austerity against programs needed for the survival of the economy and the families of the lower 90% of the population, while advancing capital gains and other tax cuts that almost exclusively benefit the wealthy. This will inflate the speculative bubble, whose geometric growth causes the accelerating collapse of the living standards for the lower 90% of the population.

Table 1, taken from the 1992 survey, shows the breakdown of the holdings of U.S. households by four percentile groups: 0 to 89.9, which we shall call the lower 90% of the households in America; 90 to 99; 99 to 99.5; and 99.5 to 100.

The total assets of all households in 1992 was \$21.070 trillion. Of that total, the top 0.5% of the households owned \$4.32 trillion, which was 20.5% of the total assets; the top 10% of the households owned \$13.048 trillion, which was 61.9% of the total assets. That means that the bottom 90% of the population owned only 38.1%, or less than two-fifths, of America's overall wealth. Even that doesn't tell the true story, because the households in the 70 to 89.9 percentile owned a significant chunk of the remaining assets. The survey does

TABLE 1

Holdings and distributions of assets and debts by percentiles of net worth, 1992

(billions 1992 \$)

Item	Percentile of net worth distribution									
	All households (100%)		0 to 89.9 (Lower 90%)		90 to 99 (Top 10%)		99 to 99.5 (Next to top 0.5%)		99.5 to 100 (Top 0.5%)	
	Holdings	% of total	Holdings	% of total	Holdings	% of total	Holdings	% of total	Holdings	% of total
Assets	\$21,069.6	100.0	\$8,021.8	38.1	\$7,317.7	34.7	\$1,409.8	6.7	\$4,320.4	20.5
Principal residence	6,863.8	100.0	4,409.2	64.2	1,947.8	28.4	202.4	2.9	304.4	4.4
Other real estate	3,012.7	100.0	548.9	18.2	1,172.2	38.9	285.9	9.5	1,005.8	33.4
Stocks	1,721.8	100.0	324.3	18.9	728.9	42.3	187.3	10.9	481.2	27.9
Bonds	892.7	100.0	107.3	12.0	413.4	46.3	139.5	15.6	232.4	26.0
Trusts	354.1	100.0	55.3	15.7	158.8	44.8	22.6	6.3	117.4	33.2
Life insurance	402.7	100.0	226.4	56.3	146.3	36.3	9.1	2.3	20.9	5.2
Checking accounts	173.4	100.0	50.7	29.3	74.1	42.7	15.4	8.9	33.2	19.2
Thrift accounts	584.3	100.0	248.7	42.6	281.1	48.1	23.1	3.9	31.5	5.4
Other accounts	1,977.1	100.0	918.1	46.4	755.9	38.2	130.0	6.6	173.1	8.8
Businesses	3,641.7	100.0	338.3	9.3	1,235.0	33.9	318.9	8.8	1,749.5	48.0
Autos	811.4	100.0	610.0	75.2	164.8	20.3	11.8	1.5	24.9	3.1
Other assets	634.0	100.0	184.6	29.1	239.4	37.8	63.8	10.1	146.1	23.0
Liabilities	3,449.2	100.0	2,241.0	65.0	835.5	24.2	78.7	2.3	294.0	8.5
Net worth	17,620.5	100.0	5,780.7	32.8	6,482.2	36.8	1,331.1	7.6	4,026.4	22.8

Source: "Weighting Design for the 1992 Survey of Consumer Financing," by Arthur Kennickell, Board of Governors of the Federal Reserve System; Douglas McManus, "Freddie Mac"; and Louise Woodburn, Statistics of Income, Internal Revenue Service.

not report the data, but *EIR*'s estimate is that the bottom 70% of households owned only 15-20% of America's assets.

There is a further correction of the wealth of the bottom 90% of households. Table 1 shows that the bottom 90% owned \$8.022 trillion in assets. But of that amount, \$4.409 trillion, or more than half, was in "principal residences," that is, homes. That means that the lower 90% of the population only owned \$3.613 trillion in non-home assets. The total non-home assets for the entire population was \$14.206 trillion (i.e., \$21.070 trillion minus \$6.864 trillion). When dealing with America's non-home assets, the lowest 90% of the population only owned 25%; that means that the top 10% of the population owned three-quarters of non-home assets.

Let us look at what the wealthy 10% of America's households own, with special emphasis on the holdings of the super-wealthy top 0.5%. In Table 1, start with the "other real estate" line. This represents largely rental property, as well as non-business ownership of some commercial properties. The top 10% of households owned 79.1% of "other real estate," and the top 0.5% of households owned one-third. Next, look at private businesses, which the survey defines as "all types of businesses, except corporations with publicly traded stocks." Private businesses' total assets of \$3.641 trillion constituted one-quarter of all non-home assets (of \$14.206 trillion) in the U.S. economy. The top 10% of the population owned 90.7% of all private businesses, and the top 0.5% owned one-half of all of them.

For bonds, the top 10% of the population owned 88%. For stocks, the top 10% of the population owned 81%. This makes a mockery of the stock market's promotional clap-trap about

130 million Americans owning stocks, and that it is your, the "little guy's," ownership of stocks that makes the market go. In fact, four-fifths of all stocks are owned by, and presumably at least four-fifths of all earnings are going to, just one-tenth of the population.

The trends are getting worse

This wealth gap is growing, not shrinking. Net worth measures an individual's assets minus liabilities (the bottom 90% of the population has more liabilities relative to assets, than the top 10%). According to economist Edward N. Wolff of New York University (who uses Federal Reserve Board data), in 1970, the net worth of the top 1% of the population comprised 20% of the entire population's net worth; today, the top 1% of the population's net worth is more than 30% of the population's net worth.

Indeed, according to the 1996 report "Who Is Downsizing America's Dream?" whose preparation was supervised by Reps. Richard Gephardt (D-Mo.) and David Obey (D-Wisc.), the level of increase of the net assets of the top 0.5% of the population was so great over 1983-89, as measured by Federal Reserve Board statistics, that the top 0.5% "could have paid off the entire national debt in 1989 and still have had about 10% more net worth than they had in 1983 (in nominal dollars)."

Yet, under the Contract on America, the condition of the lower 60-70% of American households would continue to worsen, in opposition to the trend of the top 0.5% super-wealthy. As typified by the policy of Pennsylvania Gov. Tom Ridge (R), it would kill off the poorer and more elderly part of the bottom 90%, which are considered "useless."