

# THE NATION INDICATORS / DOUG HENWOOD

## Wealth Report

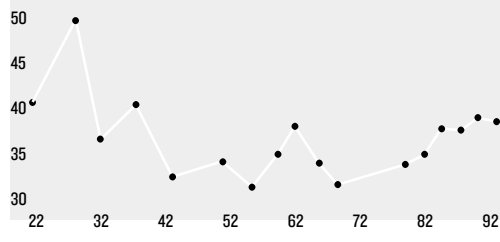
Most analyses of how people are doing economically focus on income. But what about wealth-assets like houses, bank accounts, stock portfolios? The most salient fact about wealth is that it's much more concentrated than income. For example, the richest 20 percent of households claim just under 50 percent of all income-but over 80 percent of all wealth. Recently, we've heard a lot about the democratization of wealth, thanks to 401(k)s and mutual funds. While it is true that the household at the middle of the distribution—the median—saw a 19 percent gain in real wealth between 1989 and 1998, the richest 1 percent did a lot better, turning in a 32 percent gain. And wealth remains intensely concentrated, with the top 1 percent's share having stabilized at the highest level in sixty years. With layoffs in the news, the bottom chart takes on particular pungency: Most people don't have the savings to get by for more than a few weeks without a paycheck.

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### Life at the top...

NOT MUCH DEMOCRATIZATION VISIBLE HERE! In 1998 the richest 1 percent of the population held 38 percent of all net worth (assets less debts)—a bit less than in 1995, a bit more than in 1989 and a lot more than in earlier decades (aside from the anomalous bump in 1966). Note that wealth grew more concentrated in the 1920s and deconcentrated during the Depression, World War II and the early decades of the postwar boom. While recent numbers aren't in 1929's neighborhood (when the top 1 percent held almost half of all wealth), they're still at the high end of nearly a century of experience. (Data are available only for years indicated by the small circles; the dotted line is for visual continuity.) The slight decline in the top 1 percent's share between 1995 and 1998 reflects gains of those just below them; the share of the bottom 90 percent was essentially unchanged.

Share of total wealth held by top 1%, 1922-98

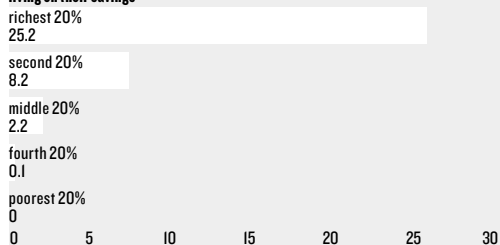


### Meager reserves

MOST HOUSEHOLDS WOULD RUN OUT OF MONEY pretty quickly if the paychecks stopped coming in. The richest 20 percent of Americans could live for two years on their savings (at current spending levels), but those in the middle could last no more than about nine weeks, and those below them could barely last a day.

#### Staying power

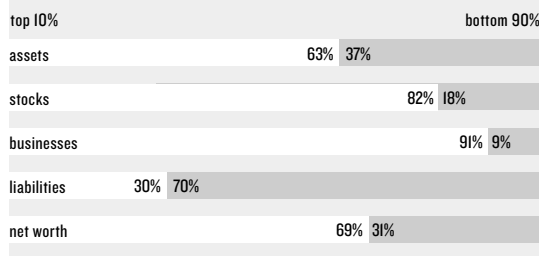
number of months families in each wealth grouping could maintain their standard of living on their savings



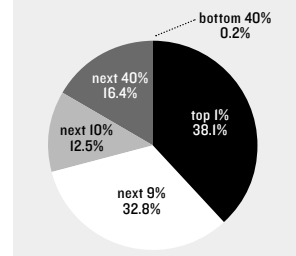
### Slicing it up

HERE ARE THREE CHARTS SHOWING HOW WEALTH WAS DIVIDED IN 1998. The first shows the overall distribution of wealth—defined as net worth, which is the difference between assets and debts. (Read the pie chart clockwise, starting from 12 o'clock: The top 1 percent has 38.1 percent of all wealth; the next 9 percent, 32.8 percent...down to the bottom 40 percent, which has a mere 0.2 percent.) Things are actually even more unequal than they appear here. For most middle-class households, their biggest asset is their house (and their biggest debt is their mortgage). But it's pretty hard to turn your house into ready cash to make an investment or pay a medical bill. So, if you strip away the house and mortgage, you're left with "financial wealth," and that's even more concentrated. The richest 20 percent holds 83 percent of wealth of all kinds, but 91 percent of financial wealth. The bottom 40 percent has negative financial wealth, meaning their debts exceed assets. The second chart illustrates the distribution of assets and debts. Note that assets are a lot more concentrated than debts, and that the really valuable stuff—stocks and businesses—are particularly concentrated. And the third chart reveals just how great the racial and ethnic wealth gaps are—far greater than income gaps. The median black household has an income equal to 54 percent of the white median; Hispanic, 62 percent. But the median black household's net worth is 12 percent of the median white's; Hispanic, 4 percent. And the financial wealth gap is even greater—3 percent and 0 percent, respectively. The gap persists even at equal income levels; black households in the \$50,000-\$75,000 income bracket have just 39 percent of the wealth that comparable white households have [see Dalton Conley, "The Black-White Wealth Gap," March 26, for more].

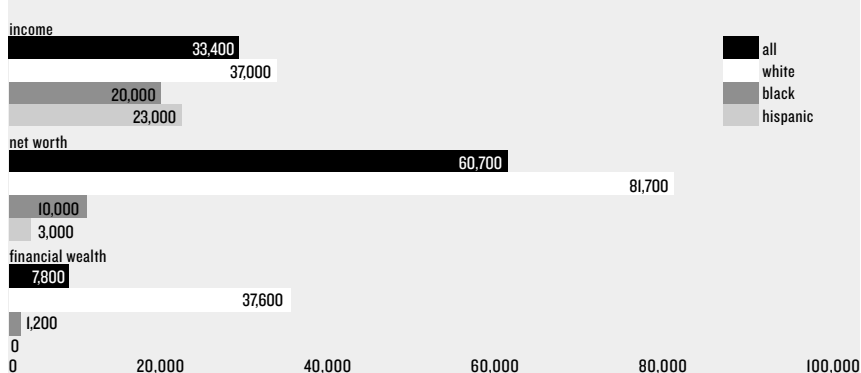
#### Who owns how much of what



#### Distribution of total wealth



#### Economic profile by race



Source: All data for 1998, except the historical chart. Source of the raw data is the Federal Reserve's Survey of Consumer Finances. Data for "Who owns how much of what" from Arthur Kennickell, "An Examination of Changes in the Distribution of Wealth from 1989 to 1998," Federal Reserve working paper (www.federalreserve.gov/pubs/oss/oss2/papers/wdist98.pdf). Rest from Edward Wolff, "Recent Trends in Wealth Ownership, 1983-1998," Levy Institute working paper no. 300.