

University of Michigan study shows decline in net wealth for poor, minorities in the US

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Preliminary findings of the University of Michigan's Panel Study of Income Dynamics show that over the past five years most American families have sunk further into debt, while net assets have declined for the poorest sections of workers. Results of the study were presented at the Allied Social Sciences meeting held in Boston, Massachusetts January 7-9.

The ongoing study conducted by the University of Michigan Economics Department tracks the finances of 7,056 pre-selected families over five-year intervals. The latest statistics cover the period 1994 to 1999. They show that despite conditions of relative growth in the economy and falling unemployment, the net assets of the poorest families fell in both relative and absolute terms. Most striking was the trend among black families, whose median net worth fell from \$8,400 in 1994 to just \$7,000 in 1999.

The study shows that again in 1999 a substantial percentage of families, black and white, had zero net worth. One in four black families and one in ten white families lack even a bank checking or savings account.

During the 1990s millions of working people took on an ever greater debt burden, both in mortgage and credit card obligations. The result of this borrowing has been a growth of families with negative net worth, i.e., they owe more money to creditors than the value of that which they own. At the same time, the net worth of the wealthiest families has grown at a rapid rate.

The net worth of the richest 25 percent of families increased by 22 percent, while the wealth of the richest 1 percent of American families increased by 53 percent. The wealth gains among these families exceeded the gains made from 1989 to 1994.

For all families in the survey, net wealth declined for the bottom 8 percent and showed little change for the bottom 20 percent. This occurred despite the fact that

the survey measured established, stable families, whose overall wealth would be expected to rise in the normal course of events, particularly under conditions of economic expansion.

Among black Americans, the survey showed stagnant or declining net worth for all but the wealthiest 3 percent of families. The percentage of black families with negative net worth increased from 11 percent in 1994 to 14 percent in 1999.

A symptom of the increased indebtedness of working class and middle class families has been the rise in the number of personal bankruptcies. Most bankruptcies are the result of increased credit card debt, with families attempting to maintain consumption through borrowing.



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