

Record number of US millionaires

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The number of millionaire households in the United States grew in 2004 to a record 7.5 million, up 21 percent in one year, according to surveys cited in the May 25 *Wall Street Journal*. This very wealthy segment of the population now controls an astounding \$11 trillion in assets.

The study of millionaire growth was released by Spectrem Group, a firm that specializes in wealth research. Spectrem managing director Catherine McBreen explained to the *Wall Street Journal*, “People’s attitudes toward the economy are so negative, but the reality is that the affluent are bouncing back to where they were before the bear market.”

On the other end of the scale, however, working people in the US are not “bouncing back,” but falling ever further behind. Wages of hourly workers have failed to keep up with inflation for the 11th month in a row. For April 2005, the US Bureau of Labor Statistics reported a further 0.3 percent decline in real wages of. Even with an increase in the average number of hours worked, average weekly earnings stood at only \$537.60 during April, or less than \$28,000 a year.

The persistent decline in workers’ real wages is emblematic of the so-called economic recovery, now entering its 43rd month.

Meanwhile, job growth remains anemic. The economy generated only 78,000 jobs in May, well below economists’ expectations. The growth in employment marks a sharp reduction from the 274,000 April figure, which was briefly heralded as the start of a long-awaited turnaround for jobs.

In its analysis of the May statistics, the Economic Policy Institute documented the two-year “fits and starts” pattern whereby a sizable number of jobs are created one month only to be followed by a sharp decline the next. With May’s numbers, the total number of jobs has only now reached the levels of March 2001, when officially the recession began. The

monthly growth was the slowest in nearly two years.

Manufacturing jobs were down 7,000 in the month, bringing the total loss over twelve months’ time to 48,000. Most of these jobs are not expected to come back. Another ominous sign is that temporary employment was flat last month. Optimistic analysts had touted an earlier growth in temporary jobs as being a prelude to a greater number of permanent jobs to follow.

The unemployment rate fell slightly to 5.1 percent in May. Although the May report showed some increase in the labor force, much of the reduction until now has been the product of fewer workers bothering to seek employment. The economy has failed to produce anywhere near enough jobs to keep up with the US population growth.

The bleak job picture was further underscored by last week’s increase in new unemployment claims to a total of 350,000. The increase of 25,000 from the prior week was the highest one-week rise since January 2004.

The lack of jobs is directly related to the increase in the productivity of workers over the last several years. The Labor Department announced Thursday that first quarter productivity increased by 2.9 percent, an upward revision. Rather than a more efficient workforce having the effect of “raising all boats”—as it typically did in generating increased living standards through the period of the post-war boom—today’s more efficient workers find it ever harder to find a job at all, let alone one with decent pay and benefits.

Companies are still extremely reluctant to hire, in part because their chiefs do not believe that this economic recovery will bring long-lasting growth. Employers do not want to face a renewed downturn with what they consider a bloated workforce.

The cost of health care, along with pension benefits, has been a major contributing factor in the rise in unit labor costs, which was up 3.3 percent in the first

quarter. Nearly half the US workforce does not receive employer-provided health insurance. These workers, who slave away in the lowest paid jobs, are losing even more ground than most.

The social polarization that produces misery for many workers has also produced a sizable millionaire class. Another study cited in the *Wall Street Journal* reports that the number of US households with liquid assets of \$20 million or more is increasing by 3,000 households a year.

In contrast to wage earners whose income has been falling, the wealth of the rich has grown based largely on their investments. Households worth \$3 million or more make 34 percent of their money on investment gains, as opposed to only 31 percent on compensation. The affluent are particularly prone to choose higher-risk but lucrative investments such as hedge funds, private-equity funds, and other schemes not available to average investors.

Most of the well heeled, whose fortunes sagged when the dot.com bubble burst, have recaptured their lost wealth. The real estate bubble, as well as stronger financial markets—themselves driven by the constant restructurings, job and benefits cuts, and wage declines—have contributed significantly to the growth of wealth in the last two years.

The rich continue to increase in both numbers and worth, in spite of the widespread pessimism about the outlook for the economy among wealthy investors. They hold a substantial 9 percent portion of their assets in cash deposits.

One of the major contributors to the upper echelon of investors restoring their bank accounts has been the series of tax cuts enacted by the Bush administration since 2001, with the backing of Congressional Democrats. Besides cuts in income taxes skewed to the rich, taxes on dividends and investment gains have been slashed.

According to a *New York Times* analysis published on June 5, over 15 percent of the Bush-era tax breaks will go to the top one thousandth of total taxpayers. These 145,000 highest earners have incomes that start at \$1.6 million apiece, and go to the sky from there.

The share of the national income allocated to this tiny elite has more than doubled in the last three decades. It has reached a level not seen since the 1920's. No doubt their share has risen significantly since the year 2000,

the latest that such figures were available.

The Bush administration's proposal to extend the tax cuts indefinitely, now winding its way through Congress, will further shift the tax burden away from the rich and onto the working class.



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