

America's "Fortunate 400" control vast wealth

David Walsh
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The richest four hundred American taxpayers have amassed immense wealth, and that amount is steadily increasing, according to figures reported by the *Wall Street Journal* Wednesday.

The *Journal* piece and the latest celebration of the world's billionaires carried out by *Forbes* magazine point to an increasingly and malignantly polarized American and global social order, with fabulous riches accumulated at one pole and widespread social wretchedness at the other.

The data published in the *Wall Street Journal* article come from an Internal Revenue Service (IRS) study of wealthy US taxpayers in 2005, an update of a report conducted five years earlier. The study reveals that the 400 super-rich—who represent approximately .0003 percent of the nation's 134 million taxpayers—reported total income of \$85.6 billion in 2005, an average of \$213.9 million each.

To be a member of this exclusive crowd, "the Fortunate 400," as one academic terms the group, an individual had to report an income of at least \$100.3 million in 2005, a sharp increase from the \$74.5 million such membership would have required only the year before.

The increase in the fortunes of the 400 wealthiest taxpayers over the four years 2002-2005 was phenomenal. In 2002 the average income of the 400 was 'merely' \$104.1 million, little more than the "entry level" in 2005. The 2002 total income of the group was \$41.6 billion, less than half the 2005 total.

The 400 wealthiest absorbed 1.15 percent of total national income in 2005 (in other words, three-millionths of the taxpaying population took in an eighty-seventh of total income), an increase from 1.02 percent in 2004 and more than double the 0.49 percent in 1995. After adjusting for inflation, the minimum income required for entry into the club of 400 has tripled since 1992. This provides a snapshot of a social process that has gone on uninterrupted under both Democratic and Republican administrations.

The *Journal* emphasizes that the figures "actually understate the group of 400's remarkable performance." The IRS measured the 2005 earnings by what is known as "adjusted gross income," and does not include tax-exempt interest income from state and local government bonds. In addition, adjusted gross income is only calculated after deducting for

various expenses, including moving, alimony and the self-employed health insurance deduction.

The newspaper also notes, "The IRS relied only on what taxpayers actually reported, without making any independent effort to estimate unreported income."

The parasitic character of the wealth accumulation found expression in the fact that a majority of the income accumulated by the super-rich in 2005 came from capital gains—the amount by which the selling price of an asset exceeds the purchase price. Presumably, much of this came from the stock market boom.

The 400, according to the IRS, reported net capital gains in 2005 of nearly \$50 billion, an average of \$125 million per tax return, or 58 percent of their total income.

The Bush tax cuts helped this group enrich itself to the tune of billions of dollars. The individuals paid an average federal income tax rate of 18.23 percent in 2005, an increase from 18.16 percent the year prior, but otherwise a lower percentage than in any year since 1992. The richest 400 paid an average tax rate of 30 percent as recently as 1995.

It is some measure of the social regression that has occurred in the US that this tiny handful of obscenely wealthy individuals paid only slightly more than the average income tax rate for all taxpayers in 2005, 12.6 percent.

The IRS study reveals that 322 of the 400 reported total salaries and wages of \$7.38 billion, or some \$22 million per tax return. Three hundred ninety three reported income from dividends, some \$5.9 billion, an average of \$15 million each.

The \$85 billion in income reported by 400 US taxpayers in a single year is equal to the entire amount that the Bush administration claims it has committed to helping rebuild the Gulf Coast in the wake of Hurricane Katrina, a disaster that devastated the lives of hundreds of thousands. The income of this group in 2005 alone could pay off all outstanding student loans in the US.

Over the last several decades, a transfer of vast amounts of wealth has taken place in the US, to the benefit of the very rich. According to Gregory D. Squires, professor of sociology and public policy and public administration at George Washington University, Washington, D.C., on the Economic Policy Institute web site, between 1967 and 2005 the share of income going to

the top quintile of all households increased from 43.6 percent to 50.4 percent, while the share going to the bottom fifth fell from 4 percent to 3.4 percent. In 2004 those in the top one percent experienced a 12.5 percent increase in their incomes while everyone else, the other 99 percent of the population, saw an increase of only 1.5 percent.

In January 2008 workers' real hourly and weekly earnings in the US were both down by 1 percent from the year before.

The IRS figures for 2005, and there is every reason to believe the process has continued unabated, reveal that the greatest increase in wealth has occurred within a small layer, a tiny fraction of the population. These are the people who "count" in America, the ones who ultimately decide the economic fate of tens of millions, determine the principal actions of the two big business parties and shape the officially-sanctioned "public opinion" daily transmitted through the airwaves and in countless newspaper columns and editorials.

The figures on the "Fortunate 400" shocked even quite respectable members of the establishment. The *Journal* cited the comment of Michael Graetz, a professor of law at Yale University and a Treasury Department official under President George H. W. Bush: "Those numbers are really stunning. One hundred million dollars is an enormous estate to be accumulated over a lifetime, and not what we think of as one year's income for anybody."

Meanwhile the world's billionaires continue to grow fatter and fatter. This year's crop of 1,125, according to *Forbes*, are worth a total of \$4.4 trillion among them, an increase of 26 percent from the year before. On the annual list published a year ago, the magazine calculated 946 billionaires, with combined income of \$3.5 trillion.

The existence of this group of financial and corporate predators, who cohabit the planet with some three billion human beings who survive (or fail to) on less than \$2 a day, is a symptom of a diseased and doomed social order. In its usual manner, *Forbes* treated the cancerous growth of personal wealth as the opportunity for a special kind of celebrity watch.

Investor Warren Buffett displaced Microsoft's Bill Gates as the world's richest individual, according to *Forbes*. Buffett was worth some \$62 billion as of February 11, an increase of \$10 billion from a year ago. Gates gained \$2 billion in net worth during the past 12 months, but lost ground to Buffett as the result of his company's recent unsolicited bid for Yahoo! Gates actually slipped to third place, with \$58 billion, falling behind Mexican telecom mogul Carlos Slim Helu (\$60 billion).

Reflecting the general drift of the US in the world economy, only four of the world's 20 richest individuals were Americans, down from ten only two years ago. India now claims four of the world's ten wealthiest men and women. Russia, 16 years after the collapse of the Soviet Union, is now home to 87 billionaires, second only to the US. Germany comes in third, with 59 billionaires.

Of the 226 newcomers to the list, 77 come from the US, "half

of whom made their fortunes in finance and investments, including John Paulson and Philip Falcone, both of whom became wealthy shorting subprime debt."

In countries where millions go to sleep hungry every night, a handful is enriching itself. According to *Forbes'* Luisa Kroll, "Another third of the new billionaires comes from Russia (35), China (28) and India (19). Two of the most noteworthy new entrants are South Africa's Patrice Motsepe and Nigeria's Aliko Dangote, the first black Africans to make their debut among the world's richest. Dangote is also the first-ever Nigerian billionaire."

The social type is revealing. Of Motsepe, *Forbes* writes: "Over 15 years Motsepe, preaching free market capitalism, turned a low-level mining services business into the country's first black-owned mining company, African Rainbow Minerals, with 2007 revenue of \$875 million. Driven by the Asian commodities boom, ARM's share price has rocketed in the past year from \$12 to \$24, pushing the value of Motsepe's net worth to \$2.4 billion."

The magazine feels obliged to acknowledge: "But for all the adulation, in South Africa such success comes with a price: being labeled an oligarch. Even many blacks have complained that the country's 1994 transformation from apartheid to democracy has benefited only the elite few. The criticism stems from laws that require substantial black ownership in certain industries, including mining. A handful of politically connected individuals have grown enormously wealthy as a result. One of Motsepe's sisters, Bridgette Radebe, who's married to transport minister Jeffrey Radebe, heads a mining company and is said to be among the wealthiest black women in the country."

Overall, *Forbes* notes that not all is "rosy," pointing out that economic volatility "has been wreaking havoc on these fortunes on a daily basis for months." Hong Kong billionaire Li Ka-shing lost \$5.5 billion of his net worth over a span of 37 days in January and February. China's richest person, Yang Huiyan, lost some \$10 billion over the past year. Others fell off the list entirely, including Lehman Brothers chief Richard Fuld and Bear Stearns ex-chief James Cayne (who lost his job), "both victims of the world's credit crunch," and William Pulte of Pulte Homes, "whose stock collapsed along with the housing market."

The various reports underscore the state of world capitalism in 2008: unrestrained growth of social inequality, economic instability—and the inevitability of social upheaval.



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