More than 5 million households had their wealth wiped out since 2005

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The typical US household lost 28 percent of its wealth during the economic crisis, with one third of these being totally wiped out, according to a recent analysis of Census Bureau data carried out by the Pew Research Center, "Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics".

While the study headlines racial disparities, the most striking findings concern the general impoverishment of all sections of the population. The percent of US households who have a net worth of zero dollars or below—meaning they have more debts than assets—grew from 15 percent in 2005, to 20 percent in 2009. This means that 5.6 million households, or about 15 million people, had their wealth totally wiped out during the first part of the economic downturn. These figures come from an analysis of Census Bureau survey data for 2005 and 2009.

The study found that, after adjusting for inflation, the median wealth of US households fell from $96,894 in 2005 to $70,000 in 2009, a drop of 28 percent. The majority of this is attributable to the precipitous fall in real estate values, by about 30 percent between 2006 and 2009 and even more since.

The fall in home values has been compounded by falling wages. Between 2005 and 2009, workers' average hourly earnings fell, on an inflation-adjusted basis, by 5 percent, according to the Labor Department.

Indebtedness has grown as rapidly as wealth has fallen. Between 2005 and 2009, unsecured liabilities grew 33 percent for the population as a whole, the study found.

Meanwhile, the share of household wealth held by the wealthiest ten percent of households grew from 49 percent in 2005 to 56 percent in 2009.

Racial minorities have been particularly hard hit, including by the fall in housing values. The net worth of Hispanic households fell by a staggering 66 percent, from $12,124 in 2005 to $5,677 in 2009. The net worth of black households has likewise tumbled 53 percent. Among Hispanics, unsecured debt grew by 47 percent.

The level of inequality between whites, blacks, and Hispanics is now at the highest level in 25 years, and no doubt longer. The racial differentiation is partly attributable to geography. While whites saw the values of their own homes fall by 18 percent and blacks by 23 percent, the home values of Hispanics fell by more than half.

As the report notes, "In 2005, more than two-in-five of the nation's Hispanic and Asian households resided in Arizona, California, Florida, Michigan and Nevada, the five states with the steepest declines in home prices." For Hispanics living in these states, the report noted, "median net worth tumbled from $51,464 in 2005 to $6,375 in 2009, a loss of 88 percent."

These racial divergences, however, mask the more fundamental growth of inequality between the working class and the wealthy of all races. The report notes that the wealthiest 10 percent of blacks now controls 67 percent of the wealth for that group, compared to 59 percent before the downturn. For Hispanics, likewise, the wealthiest 10 percent controlled 72 percent of wealth in 2009, up from 59 percent in 2005.

The number of unemployed, meanwhile, grew from 7.9 million to 15.2 million between 2005 and 2009. Rising unemployment, too, has disproportionately affected minorities. Unemployment has affected blacks and hispanics disproportionately, with the unemployment rate for blacks currently at 16.5 percent and 11.6 percent for hispanics.

The staggering fall in wealth has had an transformative effect on American society, contributing to the millions of foreclosures and personal bankruptcies. According to figures from Realtytrac.com, there were 10 million foreclosures between 2005 and 2009, the years covered by the survey.