New report finds increase in social inequality during US “recovery”

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A study by the Pew Research Center released Tuesday reveals an enormous growth in social inequality in the United States between 2009 and 2011. The figures give expression to the impact of the Obama administration’s policy of bailing out the banks while spearheading the assault on workers’ wages and social programs throughout the country.

Basing itself on US Census data, the Pew report found that the poorest 93 percent of US households saw, on average, a four percent decline in their net worth during these two years of stock market boom, while the wealthiest seven percent saw their net worth increase by an average of 28 percent.

The data give the lie to the administration’s claim that the rise in stock prices since the 2007 financial meltdown is part of an economic recovery. In fact, it merely gives expression to a vast transfer of wealth from the working class to the financial elite.

Household wealth is measured by adding all assets—such as homes, cars, real estate, retirement accounts, stocks and other financial holdings—and subtracting from this all debts—such as home mortgages, car loans, medical debt, credit card debt and student loans.

The upper 7 percent of households saw their aggregate share of overall national wealth increase to 63 percent in 2011, up from 56 percent in 2009. Put in another way, the mean wealth of households in this more affluent group was almost 24 times that of other households in 2011, whereas in 2009 it was only 18 times more.

Breaking down the figures for those in the bottom 93 percent, the poll finds that:

• A shocking 18 percent of the population has a net worth of zero or less (with debts meeting or exceeding all assets). The mean wealth of this group declined from ?$34,777 in 2009 to ?35,472 in 2011.

• The biggest percentage decline was in the 9 percent of households who have a net worth of between $1 and $4,999. They saw their mean net worth decline from $2,016 to $1,899, a fall of 6 percent.

• There was a generally constant average decline of between four and five percent for all households with net worths between $5,000 and $499,999.

Even among high-net-worth households there was a stratification, with more of the increase in net worth during the so-called recovery accruing to the wealthier half of this group. This is revealed in the fact that the median net worth of the top bracket actually fell—to $836,033 in 2011 from $889,275 in 2009, even though the mean increased.

The Pew report comments: “The median refers to the midpoint of a group—in this case, households at the 93.25 percentile of wealth (halfway between the 86.5th percentile and the 100th percentile). A simultaneous rise in the mean and decline in the median implies that aggregate net worth increased only among households above the median—that is, the 8 million households with net worth of $836,033 or more in 2011.”

The Pew report argues that the main factor in the polarization of wealth in this period is the divergence of stocks and other financial instruments—buoyed with the full force of the Federal Reserve and government bailouts—and the values of homes. For most US households, the most valuable asset is the home itself. Millions of families saw the value of this asset collapse during the housing crisis, with little if any recovery since.

Wealthier households own far more financial assets, including stocks, bonds and mutual funds. In households with a net worth over $500,000, 65 percent of their wealth comes from financial holdings and 17 percent comes from their home. In contrast, in households with net worth of less than $500,000, just 33 percent of their wealth comes from financial assets and 50 percent comes from their home.

The 2008 crash led to an even further concentration of financial assets in the hands of the wealthy. Only 13 percent of households with net worth below $500,000 owned stocks and mutual fund shares in 2011, down from 16 percent in 2009.

The report examined data from the Census Bureau, which was last compiled in 2011. Since that time, the same processes that give rise to the social polarization have only grown. Housing prices remain stagnant, while the S&P 500 has gained another 26 percent in value since 2011. Furthermore, the slashing of social spending has no doubt worsened the net worth of most households, especially those in the lowest categories. Mass unemployment and cuts in unemployment benefits have also taken a toll.

These factors are not forces of nature. Rather, they represent the class war policies of a parasitic financial elite, with the Obama administration standing at the helm.

The mobilization of immense and continuous sums of public funds to transfer to Wall Street, along with the coordinated attack on the vast majority of the population, has definite political consequences. It indicates a society on the verge of a social explosion.