Wealth from economic “recovery” has gone to the richest Americans

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3 June 2013

A new study from the St. Louis Federal Reserve documents the vast disparity in the fortunes of American families since the financial crisis of 2007-08, with the bulk of the “recovery” in aggregate wealth going to the richest layers of the population.

The report, “After the Fall: Rebuilding Family Balance Sheets, Rebuilding the Economy,” found that “only about 45 percent of the average inflation-adjusted household wealth that was lost since the onset of the downturn in 2007 has been recovered.”

To support claims of economic recovery, the Obama administration and the political establishment as a whole have cited the fact that aggregate net worth at the end of last year had almost reached the level it was prior to the crash of 2009. While total net worth was estimated at $67.4 trillion in 2007, it reached $66.1 trillion at the end of 2012, recovering 91 percent of its losses.

However, this masks the enormous growth of inequality. Of the $14.7 trillion accrued since 2009, the majority, $9.1. trillion, “was due to higher stock-market wealth,” the majority of which is owned by the wealthiest families. With more than a touch of understatement, the report states: “Considering the uneven recovery of wealth across households, a conclusion that the financial damage of the crisis and recession largely has been repaired is not justified.”

The wealth of the rich has surpassed pre-recession highs, while that of the vast majority has stagnated. In other words, the net impact of the crisis has been an aggregate transfer of wealth from the poor to the rich.

This outcome is a direct product of the response of the American ruling class, led by the Obama administration, to the crisis. Trillions of dollars have been allocated to bail out the banks, and the US Federal Reserve pumps $85 billion into the financial markets every month to maintain the new asset bubble. At the same, wages have been driven down and social services slashed, while nothing has been done to help those most severely impacted by the crisis.

The St. Louis Fed noted that prior to the economic crash, US households had accumulated an average debt-to-income ratio of 133 percent, due in large part to soaring housing prices and predatory lending by the banks. In the wake of the crash, average household wealth fell 15 percent.

The impact of the crisis disproportionately affected low-income Americans, though the primary categories examined by the report are those of race, age and education level. The class impact—both of the crisis and of the subsequent “recovery”—finds distorted reflection in these alternate categories.

“Although many subgroups experienced large declines, the Fed’s survey suggests that families that were young, that had less than a college education and/or were members of a historically disadvantaged minority group… suffered particularly large wealth losses.”

These families are among “the most economically vulnerable groups because of the particular occupation and sectors in which they were overrepresented, such as low-wage service-sector jobs and construction.”

Youth were particularly hard hit. The report found that from 2007 to 2010, homeowners under 40 saw a staggering 44 percent wealth loss in their homes, with a disproportionate impact on minority youth, including Hispanic and African American youth.

For lower-income families, homes tend to be the primary asset. For African American or Hispanic homeowners under the age of 40 who had not received a high school diploma, 85 percent of all wealth in 2007 was tied to real estate. For both college graduates and

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high school graduates in this category, 70 percent of wealth was tied to homes.

The report states that chances for post-secondary success increase seven-fold for a youth who had personal savings, regardless of family income. Inversely, lifetime earning potential is also hindered by excessive amounts of debt. The Federal Reserve found that those with a four-year college education and overhanging student loans had a net worth of $186,000 *less* than their non-indebted peers.

A recent New York Federal Reserve study found that, for those who had student debt, the average level of debt for youth aged 25 had risen to $25,000. Nearly one in five young people were at least three months delinquent on payments.

A number of recent reports corroborate the St. Louis Fed's findings. Last year, a US Federal Reserve study found that the global economic recession had set families back by nearly 20 years, erasing 39 percent of all household wealth between 2007 and 2010.

Another recent study, released by the University of California, found that since 2009 average real income for families had grown by only 1.7 percent. However, behind this 1.7 percent growth, the top one percent saw their incomes jump by over 11 percent, while the income of the bottom 99 percent declined by half a percentage point during the same period.

Nearly five years after the onset of the greatest financial crisis in a century, bankers and wealthy hedge fund managers have been supplied with access to virtually endless funds by the Obama administration, while simultaneously declaring there is "no money" for basic social programs benefiting the working class.

The results, reflected in the St. Louis Fed report, are the outcome of this process.

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