Inequality doubles in the US between 2003-2013

Gabriel Black
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A report released Wednesday by researchers at the University of Michigan provides further confirmation of the enormous increase in wealth inequality in the United States over the past decade.

In a two-page research summary, the authors predict that this widening gulf in American society will continue, with no sign of slowing down.

According to the report, wealth inequality has "roughly doubled" since 2003. The median American household was 13.6 times poorer than an average household in the 95th percentile in 2003. By 2013, the average household in the 95th percentile (top 5 percent) was 24.2 times richer than the median household and 426.5 times richer than the average household in the 25th percentile.

The report demonstrates how nearly every section of society, except for the rich and super-rich, has seen a massive loss in wealth since 2003.

In 2003, the median percentile of Americans had $87,992 in total assets. Between 2003 and 2013 the median American household lost 36 percent of its wealth, ending with $56,335 in total assets in 2013 (in 2013 dollars, taking account of inflation). The 75th percentile (top 25 percent) meanwhile lost 13.8 percent of its wealth, ending at $260,405 in 2013. A large portion of this decline can be attributed to a decline in home prices.

While the median household lost 36 percent of its wealth, the 25th percentile lost a staggering 68.3 percent of its wealth, sinking from $10,129 to $3,200. Meanwhile, the 5th percentile saw its indebtedness increase substantially, starting at $9,749 in debt in 2003 and ending in $27,416 in debt in 2013.

While over three quarters of Americans have lost wealth since 2003, the richest Americans have amassed it. The 95th percentile of Americans increased its wealth by 14.4 percent, from $1,192,639 in 2003 to $1,364,834 in 2013.

The overwhelming majority of people have seen their wages decline, jobs dry up, and their houses, if they can afford one, decline in value. However, the ruling class has its wealth concentrated in the stocks of the major companies and banks, which are benefiting from the attack on living standards and the inflation of assets.

In particular, the stock market has been deliberately inflated by cheap credit from the Federal Reserve. The government has essentially opened up a limitless spigot of credit at zero, or close to zero, interest rates for the banks. Awash with cash, the stock market has reached record highs.

The authors of the report explain, "While stock prices rebounded relatively quickly after the collapse in 2007, housing prices did not." The authors continue, "Affluent households are more likely than other households to hold stocks and have large portfolios, which allowed them to benefit from the gains in the stock market."

The summary from the University of Michigan reveals how the average American has not only lost wealth in the past 10 years, but also over the past 30 years. Between 1984 and 2007 the median American household slowly gained wealth, due, largely, to the appreciation of home values. However, the destruction of that wealth in the aftermath of the financial crisis, and the current stagnation, reversed those gains.

The median American household lost roughly a quarter of its wealth between 1984 and 2013. The bottom 25th percentile lost almost three quarters of its wealth during the same period. However, the wealth of the top 95th percentile grew by almost 100 percent.

The report concludes that while wealth inequality has increased substantially in the past decade, there is no sign of this trend stopping.

The authors writes, “It is possible that the very slow recovery from the Great Recession will continue to generate increased wealth inequality in the coming years as those hardest hit may still be drawing down the few assets they have left to cover current consumption and the housing market continues to grow at a modest pace.”

The University of Michigan report comes on the heels of reports by the IMF, Federal Reserve, and World Bank, all of which downgraded estimates for US growth in 2014. All of the agencies predict that the United States will grow this year by about 2 percent, nearly a full percentage downgrade from previous estimates, and well below the post-World War II average of 3.3 percent.

On Wednesday, the US Commerce Department released statistics that showed that the US economy contracted at a 2.9 percent annual rate in the first three months of this year. These statistics were released after the previous downgrades to 2014 growth, suggesting that growth in 2014 might be even lower than currently projected.

These statistics, taken together with the Michigan report, make clear that there will be no economic relief to the vast majority of Americans. The past six years of high unemployment, falling wages, cuts to education, health care, and other vital social services, are the “new normal.” Meanwhile, inequality will continue to skyrocket as the financial aristocracy gorges itself on cheap cash, hoping to stave off a new financial collapse.