

Wealth in America: Who Gets What and  
How Wealthy Were the Forbes 400 Richest  
Billionaires in 2008 Relative to America's Bottom Half?

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## Introduction

The economic well being of U.S. workers and their families can be measured from a number of different perspectives, including weekly wages, annual earnings, personal and family incomes, annual consumption, and wealth. The wealth or net worth of U.S. households is a stock measure of the difference between the value of their assets and their liabilities.<sup>1</sup> Knowledge of the average values of the net worth possessed by U.S. households and the distribution of that wealth over time is important for understanding how the economic system is performing in improving the well being of households. Past studies of the wealth distribution in the U.S. by private and public analysts have shown that the distribution of wealth tends to be considerably more unequal than the distribution of earnings, annual incomes, and consumption.<sup>2</sup>

The wealth of a household can generate a number of important economic, political, psychological, and social benefits to them. Wealth helps provide financial security, can help cushion the adverse effects of economic downturns such as the 2008 recession, help finance children's educational investments, increase one's political clout, and provide funds for residential and business investments.<sup>3</sup> Wealth of older households can help finance their consumption needs in retirement, and for many middle and upper income households wealth in the form of homes, land, vehicles, and other physical possessions can be used to generate both consumption services and investment returns. As Rebecca Jacobs, a business entrepreneur once remarked, "Money can't give you health, friends, love. But it can give you peace of mind".<sup>4</sup>

This research report based on comprehensive wealth data from surveys of the Federal Reserve Board of Governors and data on the net worth of the nation's 400 richest households

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<sup>1</sup> The Survey of Consumer Finances of the Federal Reserve Board of Governors collects data on a very diverse array of assets and liabilities owned by U.S. households including many financial and nonfinancial assets, such as the values of primary and secondary homes, nonresidential property, business equity, etc. The inequality in the ownership of nonresidential property and business equity is much greater than car or primary home ownership. See: Ana Aizcorbe, Arthur Kennickell, and Kevin Moore, "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," Federal Reserve Bulletin, January 2003, pp. 1-32.

<sup>2</sup> For earlier overviews of wealth inequality developments in the U.S. and asset poverty among American families, (i) Brian Buck, Arthur Kennickell and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances", Federal Reserve Bulletin, 2006, pp. A1-A38; (ii) Lisa A. Kiester, Wealth in America: Trends in Wealth Inequality, Cambridge University Press, New York, 2000; (iii) Kevin Phillips, Wealth and Democracy: A Political History of the American Rich, Broadway Press, New York, 2002; (iv) Edward N. Wolff, Top Heavy: The Increasing Inequality of Wealth, New Press, New York, 2000.

<sup>3</sup> See: (i) Lisa A. Kiester, Wealth in America; (ii) Edward Wolff, "Asset Poverty in the United States, 1984-1999," Challenge, January-February 2004, pp.15-52; (iii) Robert H. Frank, Luxury Fever: Money and Happiness in an Era of Excess, Princeton University Press, Princeton, 1999.

<sup>4</sup> This quotation appears in Lisa A. Kiester, Wealth in America, p. 7.

from the annual Forbes 400 survey has several major objectives.<sup>5</sup> First, we will begin by examining changes in the average (median and mean) net worth of U.S. households over the 1995-2004 period. Second, we will also identify trends in the net worth of households in various segments of the U.S. wealth distribution over time, and identify the degree of concentration in the wealth distribution in 2004 and in preceding years. Third, we will compare the degree of inequality in household wealth with relative differences in household incomes in 2004 to illustrate how much more inequality there is in the wealth distribution. Fourth, we will examine the wealth of the Forbes 400 richest individuals/households in 2008 and compare the amount of their cumulative wealth with that of U.S. households in the bottom half of the wealth distribution in 2004. How many U.S. household's net worth have to be cumulated to match the wealth of the Forbes 400 billionaires? The final section of the paper will briefly highlight concerns that have been expressed by economists, sociologists, political analysts, business reporters, and others about the high and rising degree of wealth inequality in the U.S.

### **Data Sources on the Wealth Holdings of U.S. Households**

Data on the annual earnings and incomes of U.S. workers and families are available each year from the U.S. Census Bureau. These earnings and income data for individuals, households, and families are collected each year in March through a supplement to the monthly CPS labor force questionnaire.<sup>6</sup>The U.S. Census Bureau does not, however, collect data on the wealth of U.S. households through the monthly CPS survey. Several national longitudinal surveys, including the Survey of Income and Program Participation, have collected wealth data on an ad hoc basis, but the wealth data typically exclude certain forms of wealth (401K's at work, cars, land, other physical assets) and are known to under-represent the most wealthy households in the country.<sup>7</sup>

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<sup>5</sup> The first Forbes 400 report was published in 1982. The 27<sup>th</sup> report was completed in September 2008. In the first year (1982), slightly over \$100 million was needed to make the Forbes 400. By 2008, it took \$1.3 billion to make it into the 400 richest.

See: Jay Gissen with Richard Behar, "The Forbes Four Hundred", Forbes, Fall 1983, pp. 71-72.

<sup>6</sup> For a review of the design features of the March CPS supplement and the income and earnings questions, See: U.S. Census Bureau, Money Income in the United States: 2000, Current Population Reports, Series P60-No. 213, Washington, D.C., 2001.

<sup>7</sup> The wealth measures from the Survey of Income and Program Participation and other national longitudinal surveys, such as the National Longitudinal Survey for Youth 1997, are not as encompassing as those from the Survey of Consumer Finances. Their inability to track the wealth of the most wealthy families in the U.S. also leads to a substantial underestimate of the true amount of wealth and wealth inequality in the U.S.;

The wealth data appearing in this report are derived from either a triennial survey of U.S. households conducted by the Federal Reserve Board of Governors or the Forbes Magazine annual listing of the richest 400 households in the United States (the Forbes 400). Every third year since 1983, the Federal Reserve Board of Governors has conducted a survey of U.S. households known as the Survey of Consumer Finances that collects information on their annual income in the prior calendar year and on their assets and liabilities at the time of the survey.<sup>8</sup> The net worth data are based on an extensive array of both financial (checking deposits, savings accounts, CD's, stocks, bonds, retirement accounts, life insurance) and nonfinancial assets (vehicles, homes, land, ranches, non-residential property, business equity). In recent years (2001 and 2004), the Survey of Consumer Finances has collected wealth data from a sample of approximately 4,500 households across the country, including an oversampling of the nation's most wealthy families based on Internal Revenue Service records provided by the U.S. Department of the Treasury. It should be noted that in drawing this sample of the most affluent households the Federal Reserve Bank's analysts exclude all individuals identified that year as being part of the Forbes Magazine's 400's most wealthiest households. The data from the Survey of Consumer Finances after being stripped of any confidentiality identifiers are made available to members of the public. We have used both published estimates from the Survey of Consumer Finance (SCF) and findings of our own analyses of the SCF public use data in preparing this report.

Our second source of data on the wealth of America's richest households (individuals) is Forbes magazine.<sup>9</sup> Since 1982, Forbes has identified the richest 400 individuals in the U.S. and also has compiled an annual list of the world's billionaires in more recent years. In 2008, the number of world billionaires identified by Forbes was 1,125 with U.S. citizens accounting for about 42% of the total.<sup>10</sup> The 400 richest U.S. adults in 2008 had a combined net worth of approximately \$1.6 trillion. To make the top 400 list in that year one needed a minimum of \$1.3

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See: Asena Caner and Edward Wolff, "Asset Poverty in the United States, 1984-1999", Challenge, January-February 2004, pp. 5-52.

<sup>8</sup> For a review of the design features of the Federal Reserve Board's Survey of Consumer Finances, See: Brian Bucks, Arthur Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," Federal Reserve Bulletin, January 2006, pp. A1-A38.

<sup>9</sup> For other findings on the Forbes 400,

See: (i) William P. Barrett, "The March of the Forbes 400", Forbes, September 30, 2002; (ii) "Two Decades of Wealth", Forbes, web site; (iii) Luisa Kroll, "World's Billionaires", Forbes.com, March 5, 2008; (iv) Robert Frank, Richistan, Chapter 1.

<sup>10</sup> See: Luisa Kroll, op. cit.

billion in wealth.<sup>11</sup> In this report, we will make a number of comparisons of the wealth holdings of the Forbes 400 richest in 2008 with the wealth of all U.S. households, especially those in the bottom half of the nation's wealth distribution in 2004.

### **The Median and Mean Wealth of U.S. Households, 1995-2004**

The findings of the Survey of Consumer Finances are used by researchers at the Federal Reserve Bank of Governors to make estimates of the average net worth of U.S. households and the distribution of that wealth across selected groups of households. Two measures of the average wealth of households are provided: the median and the mean. The median household wealth is the value of wealth that divides the household distribution of wealth into two equal parts: one-half of the households make less than the median and the other half makes more than the median. The mean household wealth is the (weighted) arithmetic average. Its value is influenced by wealth values all along the distribution especially at the top. If the distribution of wealth were normal (distributed symmetrically around the mean), then the median and mean wealth would be identical to one another. Wealth in the U.S. and all other countries is far from being normally distributed. Instead, the distribution of wealth is highly skewed on the right hand tail reflecting the existence of a relatively small number of households with very high average wealth. Under such circumstances, the mean value of wealth is considerably higher than the median. In the U.S. over the past decade, the mean value of household wealth typically exceeded the median value by about 4 times, with the ratios ranging from 3.68 to 4.81 (See Table 1). These very high ratios of mean to median wealth imply a very high degree of concentration of wealth at the upper end of the distribution.

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<sup>11</sup> See: Matthew Miller and Duncan Greenberg, "The Forbes 400", [Forbes.com](http://Forbes.com), September 16, 2008.

Table 1:  
Trends in Median and Mean Net Worth of U.S. Households, Selected Years 1995 to 2004  
(in 2004 Dollars in 1000s)

	(A)	(B)	(C)	(D)	(E)	(F)
Net Worth Measure	1995	1998	2001	2004	Absolute Change	Percent Change
Median	70.8	83.1	91.7	93.1	22.3	31%
Mean	260.8	327.5	421.5	448.2	187.4	72%
Mean/Median	3.68	3.94	4.60	4.81		

Source: Federal Reserve Board of Governors, Federal Reserve Bulletin, 2006.

Over the 1995-2004 period, both the median and mean real value of the wealth of U.S. households rose fairly strongly (Table 1). The median value of the wealth of U.S. households increased from slightly under \$71,000 in 1995 to \$93,100 in 2004, a rise of 31%. The mean value of household wealth was considerably higher than that of the median in each of these four years. The mean value of household wealth rose from \$261,000 in 1995 to nearly \$450,000 in 2004, a gain of \$187,000 or 72%. Since the growth of mean wealth sharply exceeded that of median wealth, the overall distribution of wealth in the U.S. had to become more unequally distributed over the past decade.

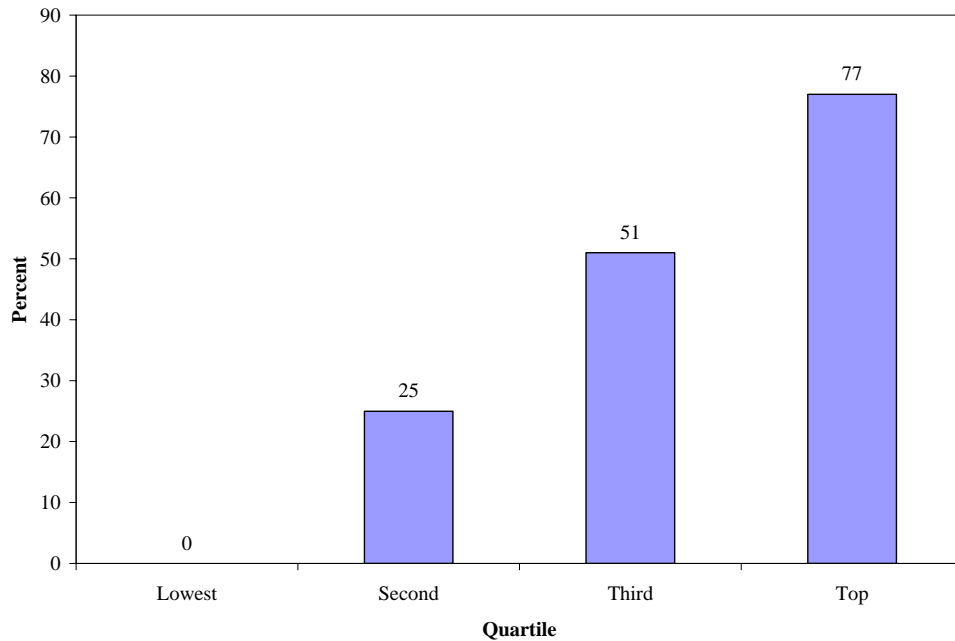
To illustrate the nature and degree of household wealth inequality in the U.S. in the past decade, we analyzed the mean real wealth of U.S. households in each quartile of the wealth distribution and the top decile of the distribution in 1995, 1998, 2001, and 2004 (Table 2). The percent changes in the mean net worth of households in each of these groups are displayed in the last column of Table 2. Among those households in the bottom quartile (the bottom 25%) of the wealth distribution, mean wealth was never positive in any of those four years. They experienced no growth whatsoever in their mean net worth over the decade. The mean net worth of these bottom quartile households was -\$1,400 in 2004. The negative net worth of those in the bottom ten percent outweighed the positive net worth of those in the remaining portion of the bottom quartile.

Table 2:  
Trends in Mean Net Worth of U.S. Households by Quartile and Top  
Decile of the Distribution, 1995 to 2004  
(in \$1,000 of 2004 Dollars)

	(A)	(B)	(C)	(D)	(E)
Quartile/Decile	1995	1998	2001	2004	Percent Change
Lowest	-0.2	-2.1	0	-1.4	0
Second	37.6	41.6	47.0	47.1	25
Third	122.6	149.1	176.6	185.4	51
Fourth (Top Quartile)	882.9	1,121.3	1,461.5	1,561.6	77
Top Decile	1,766.7	2,244.2	2,936.1	3,114.2	76

Those households in the next three quartiles of the wealth distribution experienced quite positive growth in their net worth position, with the relative increases in their net worth varying strongly with their position in the wealth position (Chart 2). Households in the second lowest quartile experienced a 25 percent increase in their mean net worth versus a 51 percent gain for those in the third quartile, and a 77 percent increase for those households in the top quartile. Those households in the top decile matched the growth rate of those in the top quartile, with a 76% increase. The top decile of wealth earners increased their share of total household wealth over the decade from 67.7% in 1995 to 69.5% in 2004. By the latter year, the top decile of wealth holders captured just under 70% of all of the net wealth in the U.S.

Chart 2:  
Percent Growth in the Mean Real Wealth of Households in Each Quartile of the  
Wealth Distribution Between 1995 and 2004



To illustrate the extraordinary degree of inequality in the wealth distribution of the nation in 2004, we identified the net worth of U.S. households at each 10<sup>th</sup> percentile of the distribution and the 95<sup>th</sup> percentile (Table 3). The values of the net worth of households ranged from a low of \$200 at the 10<sup>th</sup> percentile to only \$6,450 at the 20<sup>th</sup> percentile to \$93,100 at the 50<sup>th</sup> (median) percentile and to highs of \$831,000 at the 90<sup>th</sup> percentile and slightly more than \$1,430,000 at the 95<sup>th</sup> percentile. The household at the 90<sup>th</sup> percentile had 4,157 times as much wealth as the household at the 10<sup>th</sup> percentile, 129 times as much wealth as a household at the 20<sup>th</sup> percentile, and 9 times as much wealth as the median household. The wealth distribution in the U.S. was extraordinarily concentrated at the very top in 2004, far more concentrated than the annual income or earnings distribution.

Table 3:  
Values of the Net Worth of U.S. Households at Selected  
Percentiles of the Wealth Distribution in 2004

Percentile of Distribution	Net Worth
10 <sup>th</sup>	\$200
20 <sup>th</sup>	6,450
30 <sup>th</sup>	23,400
40 <sup>th</sup>	52,500
50 <sup>th</sup>	93,100
60 <sup>th</sup>	154,700
70 <sup>th</sup>	251,000
80 <sup>th</sup>	435,000
90 <sup>th</sup>	831,500
95 <sup>th</sup>	1,430,100
<b>Relative Wealth Measures</b>	
90/10	4,157
90/20	129
90/50	9
50/10	465

To illustrate the considerably higher degree of relative inequality in the wealth distribution than in the household income distribution, we compared the degree of relative income and wealth inequality at various points along each of their distributions in 2004 including top/bottom, top/middle, and middle/bottom measures.<sup>12</sup> On each of the six measures, the relative degree of inequality in wealth was considerably higher than household income inequality. The 90/10 inequality ratio was equal to slightly over 11 for household income but was equal to 4,157 for wealth inequality. The degree of wealth inequality on this measure was 375 times higher than income inequality. The 90/20 measure for income inequality was slightly over six times versus 129 times for wealth inequality, a relative difference of 20 times. The median household in the U.S. in 2004 had 4 times as much income as a household at the 10<sup>th</sup> percentile but it had 465 times as much wealth, a relative difference of 113 times. The top/middle ratio (90/50) was characterized by the smallest relative difference, but even here wealth inequality was 3.3 times

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<sup>12</sup> Our analysis of the 2004 household income distribution is based on the findings of the March 2005 CPS household survey not the income data from the Survey of Consumer Finances. There are many more households on the CPS survey (60,000), but the CPS survey does not capture the very high incomes of the most wealthy.

higher than income inequality. At the very top of the distribution (top 5%) wealth is also much more concentrated than income in our nation.

Table 4:  
Comparisons of the Relative Degree of Inequality in the  
Household Income and Wealth Distribution in the U.S. in 2004

	(A)	(B)	(C)
Relative Inequality Measure	Household Income	Wealth	Wealth as Multiple of Income Inequality
90/10	11.1	4,157	375
90/20	6.5	129	20
90/50	2.7	9	3.3
80/10	8.1	2,175	268
80/20	4.8	67	14
50/10	4.1	465	113

Sources: (i) U.S. Census Bureau, web site, “Selected Measures of Household Income Dispersion, 1967 to 2005”; (ii) Federal Reserve Board of Governors, 2004 Survey of Consumer Finances, public use files, tabulations by authors.

### **The Distribution of Household Wealth in the U.S. from 1992 to 2004**

The Federal Reserve Board conducts the Survey of Consumer Finance, the source of the net worth data for the nation’s households, every three years.<sup>13</sup> To place the findings on the distribution of wealth in 2004 in perspective, we compared findings for 2004 with those for the four previous Surveys of Consumer Finance dating back to 1992. For each year, we calculated the percentage shares of total household wealth that were held by households in each quartile of the wealth distribution and captured by the top ten percent richest households in the nation.

Findings on the distribution of wealth in the U.S. in 2004 reveal that the bottom 28 million households combined had no positive net worth (Table 5). In fact, as revealed earlier in Table 2, the mean net worth of these bottom quartile households was -\$1,400. Households in the second lowest quartile of the wealth distribution accounted for only 2.6 percent of the nation’s wealth in 2004. Thus, the bottom 50 percent of the U.S. households accounted for only 2.6% of all of the wealth in the country in 2004 (Table 5 and Chart 3).

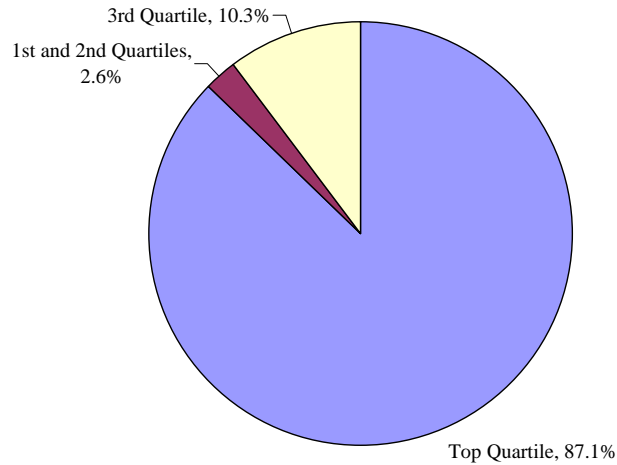
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<sup>13</sup> The 2007 survey data on the wealth of U.S. households were scheduled for release in early 2009.

Table 5:  
Trends in the Percentage Shares of Cumulative Net Worth Held by U.S.  
Households in Each Quartile and Top Decile of the Wealth Distribution,  
Selected Years 1995-2004

	(A)	(B)	(C)	(D)	(E)	(F)
Quartile or Decile	1992	1995	1998	2001	2004	Percentage Point Change, 1992-2004
Bottom quartile	0	0	0	0	0	0
Second quartile	3.4	3.6	3.2	2.8	2.6	-.8
Third quartile	12.1	11.7	11.4	10.5	10.3	-1.8
Top quartile	84.5	84.6	85.6	87.7	87.1	+2.6
Top decile	67.0	67.7	68.5	69.7	69.5	+2.5

Chart 3:  
Percentage Shares of Net Worth Obtained by U.S. Households in Each  
Quartile of the Wealth Distribution, 2004



Households in the second highest quartile accounted for 10.3 percent of the nation's wealth, a wealth share well below their 25% share of all households. In substantial contrast, the top quartile capture 87% of all of the nation's wealth while nearly 70% was obtained the top

decile; i.e., the top ten percent.<sup>14</sup> It should be noted that in drawing its sample of wealthy households for inclusion in the Survey of Consumer Finance the Federal Reserve Board will exclude all households that appear in the Forbes list of America's billionaires.<sup>15</sup> These 400 billionaires in August 2008 had a combined net worth of just under \$1.6 trillion or between 3 and 4 percent of the combined wealth of all 112 million American households in 2004. The exclusion of America's 400 wealthiest households from the Survey of Consumer Finance, thus, underestimates the share of wealth captured at the top of the distribution.

Over the entire 1992 to 2004 period, the distribution of wealth became more highly concentrated on a fairly steady basis. Rising inequality in the wealth distribution appears to have been ongoing although not continuously since at least the early 1980s.<sup>16</sup> The top quartile's share of the combined national wealth rose from 84.5% to 87.1% between 1992 and 2004 while the shares of the second and third quartile declined and the bottom quartile's share remained at 0 in every year. The rise in the share of wealth captured by the top quartile over the 1992-2004 period was almost entirely attributable to the behavior of households in the top decile of the distribution. Between 1992 and 2004, their estimated share of wealth increased from 67.0% to 69.5%. If we had included the wealth of the 400 richest billionaires in 2008 in that total for the top decile, their share of the national wealth would have risen close to 73%.<sup>17</sup>

## **Comparing the Distribution of Income and Wealth Among U.S. Households, 1995-2004**

Earlier, we noted that national research in the U.S. and other countries over the past few decades has consistently shown that the degree of inequality in the wealth distribution is considerably greater than that of the earnings, income, and consumption distributions. To illustrate differences in the degree of inequality in the income and wealth distributions in the

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<sup>14</sup> In calculating these percentage shares of wealth, we relied on the published means for each quartile (decile) group by the authors of the 2006 article on wealth in the Federal Reserve Bulletin.

<sup>15</sup> See: Brian K. Bucks, Arthur Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances..." p. A-37.

<sup>16</sup> See: Edward Wolff, Top Heavy...

<sup>17</sup> The \$1.6 trillion in net worth of the richest 400 billionaires was equivalent to approximately 3.2% of the entire wealth of the nation in 2004. Adding 3.2 percentage points to 69.5% yields a share of 72.7% of wealth accruing the top decile.

U.S. in recent years, we calculated the share of income and wealth captured by the top decile of the income and wealth distributions in the U.S. from 1995 to 2004.<sup>18</sup>

Table 6:  
Comparisons of the Shares of Income and Wealth Obtained by U.S. Households  
in the Top Decile of Both Distributions in Selected Years from 1995 to 2004

	(A)	(B)	(C)
Year	Share of Income	Share of Wealth	Wealth/ Income
1995	31.5	67.7	2.15*
1998	33.4	68.5	2.05*
2001	37.7	69.7	1.85*
2004	36.2	69.5	1.92*

Source: Federal Reserve Bulletin, 2006, calculations by the authors.

In each of the four years examined in Table 6, the share of household income captured by households in the top decile of the income distribution was only about one-half as high as that of the share of wealth held by the top decile of wealth holders in the U.S. For example, in 1995, the ten percent most affluent households (as measured by their pre-tax, annual money income) received 31.5 percent of all income versus the nearly 68 percent of wealth that was owned by the ten percent most wealthy households in the nation during that same year. Between 1995 and 2001, the share of income obtained by the top decile of income recipients rose to 37.7% while the share of the nation's wealth held by the top decile of wealth owners increased to just under 70 percent a relative difference of 1.85\*.<sup>19</sup> Clearly, there is overwhelmingly more wealth inequality in the U.S. than there is income inequality and both distributions have been characterized by rising inequality since the late 1970s.

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<sup>18</sup> There is a substantial but not perfect overlap among households in these two distributions. Some households in the bottom deciles of the income distribution have wealth that would place them in higher segments of the wealth distribution and vice versa.

<sup>19</sup> It should be noted that the Survey of Consumer Finance yields a sharply higher degree of household income inequality at the top of the income distribution than the March Current Population Survey, the source of the annual household and family income statistics. In 2004, the top quintile received 57.8% of pre-tax income in the Survey of Consumer Finance but only 50% of income in the March 2005 CPS, a difference of nearly 8 percentage points.

## Trends in Wealth Holdings of U.S. Households Over the 1983-2004 Period: Findings of the Survey of Consumer Finances and the Forbes 400 List

Earlier, we revealed that the average real wealth of U.S. households (both the median and the mean) had increased over the 1995-2004 period, but that the growth of the mean sharply surpassed that of the median (74% vs. 31%), implying that wealth rose considerably faster at the top of the distribution than at the middle or bottom. Over the past few decades, the average wealth of the Forbes 400 richest Americans increased at an explosive rate. Kevin Phillips had commented in a 2002 Challenge article that the average wealth of the Forbes 400 had risen nearly 10 times between the early 1980s and the end of the 1990s decade.<sup>20</sup>

To place estimates of the growth of the nominal wealth of U.S. households at various points along the wealth distribution in perspective, we compared the growth of the nominal wealth holdings of selected U.S. households between 1982 and 2004 from the Survey of Consumer Finances and the Forbes 400 survey of America's richest (See Table 7).

Table 7:  
Changes in the Average Wealth of All U.S. Households, The Top 1% Most Wealthy U.S. Households, and the Forbes 400 Billionaires, 1983 to 2004  
(in Nominal Dollars)

	(A)	(B)	(C)	(D)
Household Wealth Measure	1983	2004	Absolute Change	Percent Change
Median wealth of U.S. households	\$33,380	\$93,100	\$59,720	179%
Mean wealth of U.S. households	\$130,000	\$448,200	\$318,200	245%
Top 1% of U.S. households (Survey of Consumer Finances)	\$4.387 million	\$14.903 million	\$10.516 million	240%
Mean wealth of Forbes 400 richest	\$295 million	\$2.5 billion	\$2.205 billion	747%

Sources: (i) Lisa A. Keister, Wealth in America; (ii) Edward N. Wolff, Top Heavy...; (iii) Brian K. Bucks et al., Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances; (iv) Forbes Magazine, 1983 and 2004.

Between 1983 and 2004, the nominal wealth (not adjusted for inflation) of the median household in the U.S. increased by nearly \$60,000 or 179%. Over the same time period, the

<sup>20</sup> See: Kevin Phillips, "Too Much Wealth, Too Little Democracy," Challenge, September/October 2002, pp.6-20.

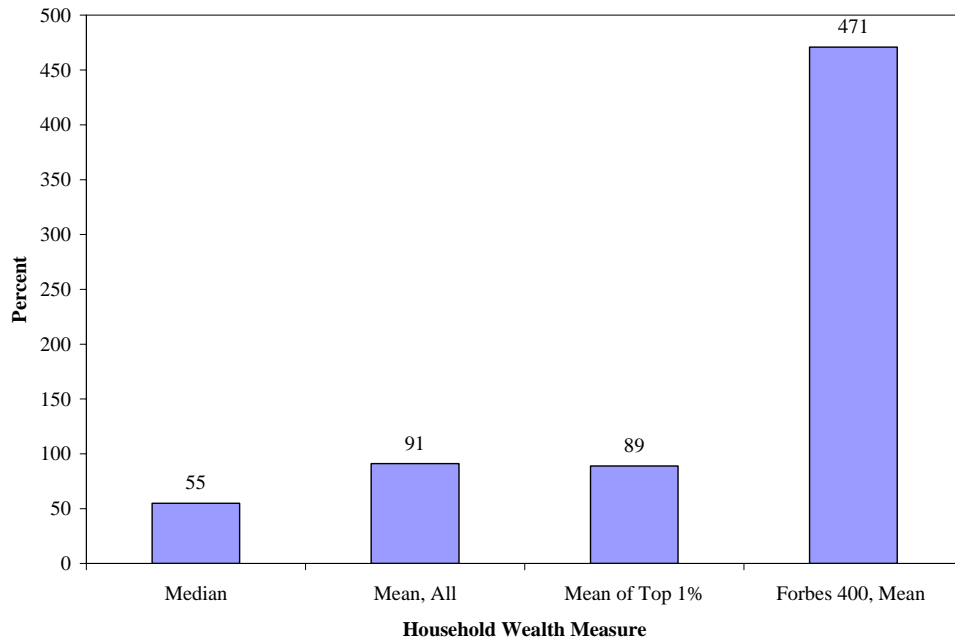
mean wealth of those households rose by an even stronger 245% indicating that wealth inequality had grown over that 21 year period. The mean wealth of households in the top one percent of the wealth distribution also rose very strongly from \$4.387 million to \$14.903 million, an increase of \$10.5 million or 240%. Their mean wealth was 160 times as high as that of the median household in 2004. The growth in the net worth of the Forbes 400 was far more spectacular. In 1983, the estimated mean net worth of the richest 400 was \$295 million, but we estimated that it increased to \$2.5 billion by 2004, a gain of 747%, far higher than the growth of the median and mean wealth of all U.S. households over those two decades.

The wealth estimates in Table 7 all were in nominal dollars of each year. To adjust the 1983 estimates for inflation, we converted them into 2004 dollars using the new Consumer Price Index (CPI-URS) developed by the U.S. Bureau of Labor Statistics.<sup>21</sup> The growth rates of the real wealth of U.S. households between 1983 and 2004 are displayed in Chart 4. Median real wealth rose by 55% versus gains of 91% and 89%, respectively, for mean real wealth and the mean wealth of households in the top one percent of the wealth distribution from the Survey of Consumer Finances. At the other extreme, the mean real wealth of the Forbes 400 rose by 471% or nearly 9 times as fast as the wealth of the median household across the nation. In 2004, the mean real wealth of the Forbes 400 was \$2.5 billion or nearly 30,000 times as high as the \$93,100 in net wealth of the median household in the nation.

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<sup>21</sup> Between 1983 and 2004, the CPI-URS price index rose by approximately 80%.

Chart 4:  
Percent change in the Real Average Wealth of All U.S. Households,  
the Top 1% of Wealthy Households, and the Forbes 400 Richest, 1983 to 2004



**Comparing the Cumulative Net Worth of America’s 400 Richest Billionaires in 2008 with the Wealth of America’s Households in 2004; How Many Low to Middle Income Households’ Wealth Needs to be Combined to Match the Wealth of the 400 Richest American Households**

In conducting its 2008 survey of America’s richest 400 billionaires, Forbes Magazine estimated the net worth of each individual/couple as of August 2008.<sup>22</sup> The mean net worth of these 400 billionaires based on our analysis of the data provided by Forbes Magazine on its web site was \$3.985 billion. Thirty-one of these billionaires had \$10 billion or more wealth while 8 had \$20 billion or more. The total net worth of these 400 billionaires was \$1.594 trillion dollars.

To put this extraordinary amount of wealth in perspective, we analyzed the public use files of the 2004 Survey of Consumer Finance to identify the number of U.S. households beginning at the bottom of the wealth distribution whose wealth would have to be combined to match the approximately \$1.6 trillion of wealth held by these 400 billionaires. According to the U.S. Census Bureau, there were approximately 112 million households residing in the U.S. in

<sup>22</sup> See: Matthew Million and Duncan Greenberg, “The Forbes 400,” Forbes.com, September 17, 2008.

2004.<sup>23</sup> The bottom 25 percent of households in the 2004 Survey of Consumer Finances had a combined negative net wealth of \$39.2 billion. While slightly more than half of the households in the bottom 25 percent had some positive net worth, those that had negative net worth outweighed the positive wealth values of their peers on the other side of the ledger. The 28 million households in the second quartile had a mean net worth of \$47,100 (Table 6). Their combined net worth was just under \$1.319 billion. Despite the positive wealth of all of the members of this quartile, the combined net worth of the 56 million households in the bottom half of the wealth distribution in 2004 was only \$1.279 billion or \$315 billion less than the wealth of America's 400 richest billionaires.

Table 8:  
Comparing the Cumulative Wealth of America's 400 Billionaires in 2008  
with the Combined Wealth of America's Bottom Half in 2004

(1) The Wealth of Fortune's 400 Billionaires with Net Worth of \$1.3 billion or more			
	• Total net worth		\$1.594 trillion
	• Mean net worth per household		\$3.985 billion
	• Range		\$1.3 billion to \$57.0 billion
	• Number with \$10 billion or more in wealth		31
	• Number with \$20 billion or more in wealth		8
(2) Estimating the combined wealth of U.S. households in the bottom 53% of the wealth distribution			
	(A)	(B)	(C)
Portion of Wealth Distribution	Number of Households	Mean Wealth in Group	Total Wealth In Group (in Billions)
Bottom 25%	28 million	-\$1,400	-\$39.2 billion
Second lowest 25%	28 million	\$47,100	\$1,318.8 billion
50-53 <sup>rd</sup> percentiles	3.36 million	\$101,247	\$340.2 billion
Total	59.4 million		\$1,620 billion

To match the combined net worth of the richest 400 individuals, we had to add in the net worth of those households between the 50<sup>th</sup> and 53<sup>rd</sup> percentiles of the wealth distribution in 2004. The mean net worth of these estimated 3.36 million additional households was \$101,247,

<sup>23</sup> The U.S. Census Bureau definition of a household is one or more individuals occupying separate living quarters (a house, an apartment, a condominium) regardless of whether they are related to one another. Our estimate of 112 million households is derived from the U.S. Census Bureau web site.

yielding a combined net worth of \$340 billion. Combining their net worth with that of the 56 million households in the bottom half of the wealth distribution yields a total of \$1,620 billion, slightly exceeding the net worth of America's 400 richest billionaires. Thus, the 400 richest billionaires in the U.S. in 2008 had a combined net worth roughly equivalent to that of the 60 million least wealthy households in the nation in 2004.

Our estimates of the net worth of all U.S. households in the bottom half of the wealth distribution 2004 were based on current 2004 dollars. The Forbes 400 wealth data in 2008, however, were based on the dollar value of that wealth in 2008. To convert the 2004 wealth data from the Survey of Consumer Finances into its 2008 dollar equivalent, we multiplied the 2004 wealth estimates by the percent change in the Consumer Price Index for All Urban Consumers (CPI-U) between June 2004 and June 2008. The national CPI-U index rose by 15% over this 4 year period.

Our estimates of the combined net worth (in 2008 dollars) of U.S. households in the bottom 51 percent of the 2004 wealth distribution are displayed in Table 6A, Column B. The bottom 25 percent of wealth holders now have a negative net worth of \$45.1 billion. The second quartile of households had a combined wealth of \$1.516.6 billion. Thus, households in the bottom half of the wealth distribution (some 56 million households) had a cumulative net worth of \$1.471.5 billion. If we add in the wealth of those 1.12 million households between the 50<sup>th</sup> and 51<sup>st</sup> percentiles, then we basically match the net worth of the Forbes 400 richest billionaires in 2008 (\$1.595 trillion). Thus, the richest 400 individuals (households) in the U.S. in 2008 had a combined net worth equal to that of the 57.12 million households in the bottom 51 percent of the U.S. wealth distribution. To paraphrase the remarks of the late Prime Minister Winston Churchill on the free world's debt to the RAF fighters in the Battle of Britain, "Never in the history of the U.S. have so few owned so much wealth in comparison to so many".

Table 9:  
Converting the Wealth Data from the 2004 Survey of Consumer Finances to 2008 Prices Using  
the Consumer Price Index for All Urban Consumers for the June 2004 – June 2008 Period

Household Group	(A) Cumulative Nominal Net Worth (in 2004 Prices)	(B) Net Worth (in June 2008 Prices)
Bottom 25%	-\$39.2 billion	-\$45.1 billion
Second lowest 25%	\$1,318.8 billion	\$1,516.6 billion
Bottom 50%	\$1,279.6 billion	\$1,471.5 billion
51 <sup>st</sup> percentile	\$107.2 billion	\$123.3 billion
Bottom 51% of households	\$1,426.0 billion	\$1,595 billion

### **Why We Should Care About the Extremely High Concentration of Wealth in the U.S.**

A number of economists, political analysts, and other social scientists have raised concerns about the heightened degree of wealth inequality in the past decade, but few public policy actions have been undertaken to promote greater wealth equality. President George Bush had proposed the development of a new Opportunity Society that would widen wealth opportunities for more Americans in his first administration, but he did not secure the passage of any national legislation to make this wish a reality.<sup>24</sup> In fact, his second term witnessed a number of proposals to reduce capital gains taxation and abolish the federal estate tax that would have widened wealth inequality.

The absence of any net wealth among millions of U.S. households, especially the young, the less educated, and low income groups, and the very limited wealth holdings of many other millions in the bottom half of the wealth distribution creates a high degree of financial insecurity among them. Caner and Wolff have estimated that 26% of all of the nation’s households were asset poor in 1999, with no substantive financial cushion to help tide them over a multiple month spell of unemployment.<sup>25</sup> Robert H. Frank and Robert Frank have argued that wealth and income inequality generate negative psychological effects on individuals left behind by the economy,

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<sup>24</sup> For a review of the Bush proposals and other thoughts on an opportunity society, See: Stephen Moore, Bullish on Bush: How George W. Bush’s Ownership Society Will Make America Stronger, Madison Books, New York, 2004.

<sup>25</sup> See: Asena Caner and Edward N. Wolff, “Asset Poverty in the United States, 1984-1999”,

increase work effort and debt among the less wealthy to boost often wasteful consumption to emulate the behavior of the more affluent, and discourage private savings.<sup>26</sup> Kevin Phillips and Robert Frank have claimed that rising wealth inequality reduces the degree of democracy in America, increases the political power of the elites in the financial services industries, and helps the wealthy obtain an excessive degree of influence over political outcomes. In his book Richistan, Frank argued that many of America's social and political institutions are "becoming increasingly segregated by wealth".<sup>27</sup> This socioeconomic fragmentation of civic life can lead to less social capital and to less democracy in the management of our civic institutions. Some have argued that the rise in wealth and income inequality has also helped suppress voting rates among the less educated and less affluent members of the voting public.

Despite the extremely high and rising degree of wealth inequality in the U.S. and its adverse impacts on the economy and on civic and political institutions, the issue never was raised in the most recent Presidential election. The presidential debates contained no substantive discussions of wealth inequality or proposals to help achieve a more egalitarian distribution of wealth. The national media also failed miserably to bring this critical issue to the attention of the voters and to the candidates. Given the existence of the current national recession and its increasing severity, concerns over rising joblessness, personal bankruptcies, firm failures, and the need for a large scale fiscal stimulus will take precedence over policy debates over wealth inequality. But, in debating the case for a fiscal stimulus and its desired components, the U.S. Congress might well begin to concern itself with how the distribution of the stimulus dollars will alter the distribution of income and of wealth in American society. The need for effective policy interventions to broaden wealth ownership and reduce the enormous inequality in wealth is greater today than in many recent decades.

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<sup>26</sup> See: Robert H. Frank, Falling Behind...; (ii) Robert Frank, Richistan...

<sup>27</sup> See: Robert Frank, Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich, Random House, New York, 2007, p. 242. Similar arguments have been made by Robert Putnam. See: Robert Putnam, Bowling Alone: The Collapse and Revival of American Community, Simon and Schuster, New York, 2000.