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Wealth report shows deepening social Polarization in US

By Patrick Martin

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A new report from the US Federal Reserve Board finds that total US net worth has risen to a record \$81.8 trillion, up \$1.5 trillion in the first quarter of 2014 and up nearly \$13 trillion compared to the previous peak, before the 2008 financial crash.

This figure belies the incessant claims by the US political and financial elite that there is “no money” to pay for basic social necessities—from jobs and decent wages to schools and other public services. There are ample resources—more than at any time in history—but these resources are monopolized by the narrow layer of ultra-wealthy individuals at the top of American society.

If the \$81.8 trillion were divided equally among the 318 million people who live in the United States, there would be just over \$250,000 for every man, woman and child. Poverty would be virtually abolished at a stroke. Hunger, homelessness and other forms of social deprivation would be dealt a death-blow.

But under capitalism, a social order based on profit and the accumulation of vast private wealth, such an equal division of society’s resources is unthinkable. Instead, America in 2014 is a

spectacle of ever-increasing riches at the top and steadily worsening conditions of life for the majority of the population.

Total national wealth increased by \$1.49 trillion during the first three months of 2014, despite the fact that the US economy actually contracted, with total output declining by 1 percent, and more than a million people dropped out of the labor force and stopped looking for work because they had no hope of finding a job.

This apparent contradiction is explained by looking at the various components of the increase in wealth. The value of corporate stock rose by \$361 billion in the first quarter, contributing one-fourth of the total wealth increase. These securities are largely in the hands of the wealthiest fraction of the American population.

Real-estate values jumped \$758 billion, accounting for just over half the total wealth increase. While more than 60 percent of Americans are homeowners, many have little (or negative) equity once the mortgage debt is subtracted. The increased home values were concentrated in the mansions of the super-rich, not the modest homes of working people.

According to figures published by Redfin, a real estate group, from January through April 2014, sales of the top 1 percent of US homes, those priced at \$1.67 million or more, have risen 21 percent, while sales of the remaining 99 percent of homes have fallen 7.6 percent.

Meanwhile, because of the wave of foreclosures and because young workers can no longer afford to buy their first homes, the home ownership rate in the United States has fallen from its peak of 68.9 percent in 2006 to 64.8 percent, about the same as it was in 1965.

The *Financial Times*, which published the Redfin figures, noted similar trends in consumer sales: Sales by luxury retailers such as LVMH (Louis Vuitton, Bulgari) and Tiffany rose by 9 percent; sales by retailers with mainly working class customers declined. Walmart was down 5 percent, Sears' sales fell by 6.8 percent. At the lower end, only cut-rate outlets where more and more Americans must shop to stretch their dollars saw increased sales. Dollar Tree, the largest such retailer, recorded a sales increase of 7.2 percent.

The *Financial Times* noted that household wealth is up 43 percent since the depths of the economic slump in 2008, despite the slow or nonexistent recovery in the labor market and an actual decline in median household income, down 7.6 percent since 2008.

The newspaper observed, "The gains show the effectiveness of policy in recreating the wealth lost in the recession, but its effect in boosting the economy is limited, because much of the benefit has gone to wealthy households that own stocks and large houses... The disconnect between the real economy and markets continues to grow."

A *Financial Times* columnist commented: “The culprit is rising income and wealth inequality—a central economic truth of our time.”

The dramatic increase in social inequality is the direct result of the policies pursued by the US Federal Reserve and the Obama administration, and by capitalist governments throughout the world, as they prop up financial markets with vast bailouts and extensions of credit, restoring the profits and wealth of the super-rich, at the expense of the jobs and living standards of the working class. *New York Times* economics writer Neil Irwin pointed to these trends in an analysis published online June 4 that noted there was an increasing disconnect between economic growth and the wellbeing of the poorest sections of working people.

He wrote: “From 1959 to 1973, the nation’s economy per person grew 82 percent, and that was enough to drive the proportion of the poor population from 22 percent to 11 percent. But over the last generation in the United States, that simply hasn’t happened.

“Growth has been pretty good, up 147 percent per capita. But rather than decline further, the poverty rate has bounced around in the 12 to 15 percent range—higher than it was even in the early 1970s. Indeed, if you adjust for the higher number of hours worked, over the 1979 to 2007 period (selected to avoid the effects of the steep recession that began in 2008), hourly pay for the bottom 20 percent of households rose only 3.2 percent. Total; not per year.

“In other words, in nearly three decades, these lower-income workers saw no meaningful gain in what they were paid for an hour of labor. Their overall inflation-adjusted income rose a bit, but mainly because they put in more hours of work.”

Neither the *Financial Times* nor the *New York Times*, it goes without saying, are opposed to the profit system. But it has become impossible even for the defenders of capitalism to disguise the growing gulf within American society.

The vast disparities in wealth so visible in America are not merely politically obscene and morally outrageous, they are economically irrational. The accumulation of untold riches by the top one percent (or 0.1 percent or even 0.01 percent, an ever-smaller fraction of the population), has become the principal factor in disorganizing the economy, depriving tens of millions of a decent livelihood and creating the conditions for a new and deeper financial crash.

While at least 25 million Americans are unemployed or working only part-time when they want and need full-time work, corporate America is sitting on a cash hoard of more than \$2 trillion, refusing to invest in new production or hiring new workers, and instead engaging in speculation and stock buybacks that are more profitable for the corporate CEOs. (Stock buybacks by non-financial corporations occurred at an annual pace of \$427 billion in the first quarter, according to the Fed).

Similarly, US hedge funds and private equity firms have accumulated \$1 trillion in unused cash, according to a recent report by Bain & Co. As one financier told the *Washington Post* last month in a moment of rare candor, “This private-equity game is just a game the rich play with the world’s productive assets for their own benefit at everyone else’s expense... There is no social or economic value to this activity.”

The perspective of the *World Socialist Web Site* and the Socialist Equality Party goes beyond the redistribution of wealth, although that is a central element. Socialism means the complete reorganization of economic life, on a global scale, under the democratic control of working people. Economic decisions must be made on the basis of rational planning, determined by the needs of the people, not profit.