Great Recession exacerbated existing wealth disparities in U.S.

The destruction of wealth by the Great Recession hit the bottom 80% of U.S. households harder than the top 20%, a new Economic Policy Institute (EPI) Briefing Paper finds. In other words, while the overall wealth pie was shrinking during the Great Recession, it was simultaneously becoming more unequal. In 2009, the wealthiest 20% of households controlled 87.2% of all wealth, up from 85.0% in 2007. The top 1% controlled 35.6% of all wealth, up from 34.6% in 2007.

Furthermore, the median U.S. household had less wealth in 2009 than in 1983. In 2009 dollars, median wealth fell from $71,900 in 1983 to $62,200 in 2009.

“Despite the recent loss of wealth for the top, the wealth of the richest one percent of American households has increased by half since 1983,” report author and EPI Research Associate Sylvia Allegretto said. “The bottom 60 percent, on the other hand, is worse off.”

The State of Working America’s Wealth, 2011, analyzes the distribution of wealth in the United States. Wealth, or net worth, is the sum of all assets (such as bank account balances, real estate, stock holdings or retirement accounts) minus the sum of all liabilities (such as mortgages, credit card debt, student loan debt or outstanding medical bills). In the U.S., the distribution of wealth is unequal, like wages and incomes, but even more so.

In 2009, roughly 1 in 4 (24.8%) of American households had zero or negative net worth, up from 18.6% in 2007, and 37.1% of households had net worth of less than $12,000, up from 30.0% in 2007. These households are in financial distress or are extremely vulnerable to it. The bottom 20% of households actually had negative net worth in 2009—gains this cohort made in the 1990s and 2000s have eroded steadily.

For African Americans, the picture is dramatically worse. In 2009, 39.9% of African-American households had zero or negative net worth. The median net worth of black households was $2,200 in 2009, the lowest ever recorded, while the median net worth among white households was $97,900, or 44.5 times that of black households. Finally, from 2007 to 2009, average black wealth declined by 37%, compared to 28% for white wealth over the same time period.

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