

Wealth and Income Disparity in America by Class and Race

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This article compiles data and statistics—facts—from government sources. This is economic science, not politics nor opinions. I do not discuss reasons why America has become this way, but might do so in subsequent articles.

1 Wealth distribution

Wealth is assets minus debt. For instance, the equity in a home is its present appraised market value minus the principle remaining on the mortgage. The value of automobiles, vacation homes, yachts, stocks, bonds, commercial real estate, factories, inventories, works of art, antiques, patents etc. all fluctuate with time.

Appraisals must be done by professional appraisers, who compare an item to comparable items which have recently been sold. An out-of-date tax record or an estimate is not a legal appraisal. Factory equipment is usually depreciated according to an IRS formula.

Everything must be adjusted for inflation.

1.1 The richest Americans

This data comes from Statista for 2023. ¹

- \$180B Elon Musk (Tesla Motors, SpaceX, Twitter(X))
- \$173.1B Sam Walton's children Jim, Rob and Alice (Walmart)
- \$114B Jeff Bezos (Amazon, Washington Post)
- \$107B Larry Ellison (Oracle)
- \$106B Warren Buffet (Berkshire Hathaway)
- \$104B Bill Gates (Microsoft)
- \$94.5B Michael Bloomberg (Bloomberg)
- \$80.7B Steve Ballmer (Microsoft)
- \$79.2B Larry Page (Google)
- \$76.6B John and Jacqueline Mars (Mars Candies)
- \$76B Sergey Brin (Google)
- \$64.4B Mark Zuckerberg (Facebook)
- \$59B Julia Koch and family (Koch Industries)
- \$50.1B Michael Dell (Dell Computers)
- \$45.1B Phil Knight (Nike)
- \$35 Ken Griffin (Hedge Funds)

¹<https://www.statista.com/statistics/201426/the-richest-people-in-america>

Note that most of the above people own companies which have near monopolies or market dominance in their industries: SpaceX, Tesla, Walmart, Amazon, Oracle, Berkshire Hathaway food brands, Microsoft, Google, Mars candies, and Facebook.

1.2 Wealth distribution by percentiles

Wealth share (Fig. 1) comes from the Federal Reserve Bank (FED). ²

The top 0.1% of households (blue) own about 10% of American wealth! And this has been gradually increasing.

The top 1% (blue + green) own about 25% of wealth!

The top 10% (blue + green + red) own over 60% of wealth!

The bottom 50% own only about 3% of wealth. During the Great Recession of 2008, this group was hardest hit; its wealth dropped nearly to zero as unemployment rose and many of their homes went into foreclosure as subprime mortgage-backed securities failed.

1.3 Disparity in household wealth

In Fig. 2 the total wealth of each of the above five groups was divided by the number of households in that group. ³

Wealth at each time was normalized to inflation on 1/1/2023. ⁴

This is a *semilog graph* so that the widely different wealths can be graphed and compared together.

Fig. 2 and earlier data show that the wealth of the bottom 50% group (corrected for inflation) only increased a little from 1970 to 2008. In 2008—the Great Recession—this group’s wealth took a big hit; it took until 2016 to recover, a lost decade. Pandemic stimulus aid helped during 2020-2022.

The wealth of the bottom 50% is now about \$40,000, which is the price of an average car. The poorest people rent, have credit card and student loan debts, and do not have enough cash on hand if their car dies or if they become unemployed. Many live paycheck-to-paycheck without health insurance or a pension plan. They have a poor credit rating. They are unable to save for a house down payment, for their children’s college education, or for retirement. They often need help from welfare, food stamps and food kitchens. They are poor and likely destined to stay poor.

The wealth of the upper groups has risen in real terms as the GDP has gone up.

²bottom 50% /fred.stlouis.org/series/WFRBLB50107
50-90%...WFRBLN40080
90-99%...WFRBLN09053
top 1%...WFRBLT01026
top 0.1%...WFRBLTP1246

³bottom 50%...fred.stlouis.org/series/WFRBLB50300
50-90%...WFRBLN40301
90-99%...WFRBLN09303
99-99.9%...WFRBL99T999308
top 0.1%...WFRBLTP1310

⁴fred.stlouis.org/series/CPIAUCSL

Those with net worth above \$10,000,000 have all the advantages:

- Big, comfortable home in a good neighborhood with cars for the family
- Home educational tools: internet, computers for everyone, TVs, books, music lessons, and trips to libraries, special events, and student sports
- Vacations to important world centers, e.g., Washington, Paris, Beijing, where their children learn about the world
- The best public schools, or private schools and tutors
- Their children go to the best private universities costing over \$50,000 for tuition plus room and board per year. Graduates from these elite colleges earn much more money.
- Wealth generates more wealth: stocks, bonds, businesses, income producing properties etc.
- Political power: Contributions to politicians, PACs and lobbyists to make more favorable laws and regulations. The wealthiest people often donate hundreds of millions to influence politicians.

1.4 Disparity in wealth by age

Some young people are born with a “golden spoon in their mouths,” but most young adults are given little except sometimes a car, a college education, and a down payment for a house. They then work until retirement. If they earn enough, they purchase cars, accumulate equity in their home, save some, and build up a retirement fund. The wealthier buy stocks, bonds, income-earning real estate etc., and their wealth goes up.

The median wealth is that of the 50% household. The mean or average net worth is higher because the richest households own much more than the poorer ones. Data comes from the FED survey.⁵

Net worth in 2019 in thousands of dollars

Age	median	mean
< 35	13.9	76.3
35-44	91.3	436.2
45-54	168.6	833.2
55-64	212.5	1,175.9
65-74	266.4	1,217.7
>= 75	254.8	977.6

By retirement (65-74), the median (50%) household owns only \$266,400, which is the value of a modest home, and is not nearly enough pension to supplement Social Security, especially if someone must go into a nursing home. The bottom 50% of retirees must pinch their pennies, having accumulated hardly any wealth to will to their descendents. Thus the wealth disparity perpetuates from generation to generation.

⁵Changes in U.S. family finances from 2016 to 2019. Evidence from the survey of consumer finances, Federal Reserve Bulletin, 9/2020, vol. 106, no. 5, Table 2

1.5 Wealth disparity by race and ethnic group

Data comes from the FED. ⁶

Net worth in 2019 in thousands of dollars

	median	mean
White, non Hispanic	188.2	983.4
Black	24.1	142.5
Hispanic	36.2	165.5
Other	74.5	667.2

The median Black household has a net worth of only \$24,100, which is the value of a used car, and is not enough for a down payment on a house. The median White household has 7.8 times more wealth; this gap no doubt has persisted since the Civil War.

The median Hispanic household has a net worth of only \$36,200—far below that of Whites.

Why is this?

1.6 Wealth disparity by education

Data comes from the FED. ⁷

Net worth in 2019 in thousands of dollars

	median	mean
No high school diploma	20.5	137.8
High school diploma	74.0	305.2
Some college	88.8	376.4
College diploma	308.2	1,519.9

Education pays off!

2 U.S. income disparity

The U.S. Census Bureau conducted a survey in 2021. ⁸

2.1 Income disparity by race and ethnicity

Fig. 3 shows that White households had a median income of \$77,999, while Black households earned only \$48,297. Furthermore, this wide gap has persisted unchanged since 1959, and no doubt since the Civil War.

⁶ibid.

⁷ibid.

⁸J. Semega and M. Kollar, Income in the United States: 2021, U.S. Census Bureau Current Population Reports P60-276, U.S. Government Publishing Office, Washington DC, 9/2022

Hispanics did a little better than Blacks. Asians did considerably better than Whites.

With such low incomes, many Blacks and Hispanics cannot afford good homes in safe neighborhoods with good schools, tuition at the best universities, adequate health insurance, and savings and retirement funds. They accumulate little wealth to bequeath to their heirs, and thus stay poor.

2.2 Income disparity by sex

Fig. 4⁹ shows that women have gradually been catching up with men. One factor to women's disadvantage is that some of them leave the labor market to have children, and thus lose years of promotions.

Since 1970, men's earnings have not increased at all when adjusted for inflation!

The reasons for this are many and unclear. When I was a boy, the fathers were the bread winners and the mothers stayed at home; we lived on a tight budget. Now in order to maintain their standards of living (keep up with the Joneses), many wives have gone to work, even putting their babies into day cares!

2.3 Income disparity by education

Source: FED Bulletin.¹⁰

Household income of reference person in 2019 in thousands of dollars

Education	median	mean
No high school diploma	30.8	39.6
High school	46.8	63.8
Some college	51.2	79.0
College degree	95.7	176.5

- Finish high school, learning marketable business, language, math and trade skills.
- Finish college, but don't flunk out with huge student loans.
- A degree from an elite college (Harvard, Princeton, Stanford, MIT, Caltech, UC Berkeley) is worth much more than friendly state U. or a for-profit college accepting almost anyone.
- A STEM degree (science, technology, engineering, math) prepares for the jobs of the future. Health professionals (doctors, nurses, pharmacists) are always needed. Teachers earn relatively little. Degrees in art history or music might have few job opportunities.

⁹ibid.

¹⁰ibid., Table 1

3 Conclusions

Economic science, like all science, is morally neutral. My physics teachers at Caltech and Princeton designed the atomic bomb, but whether it was morally right to incinerate some 200,000 civilians at Hiroshima and Nagasaki is a moral question.

I have presented you the data-facts: A few percent are incredibly rich, while the bottom 50% have little wealth. Whites do much better than Blacks and Hispanics. Women's wages have not yet caught up with men's. Working men's wages have been flat in inflation-adjusted dollars since 1970, while the wealthiest have grabbed the increases in GDP.

Income and wealth inequality in America has actually been increasing.

Why do you think this is happening?

I'll discuss more in subsequent articles.

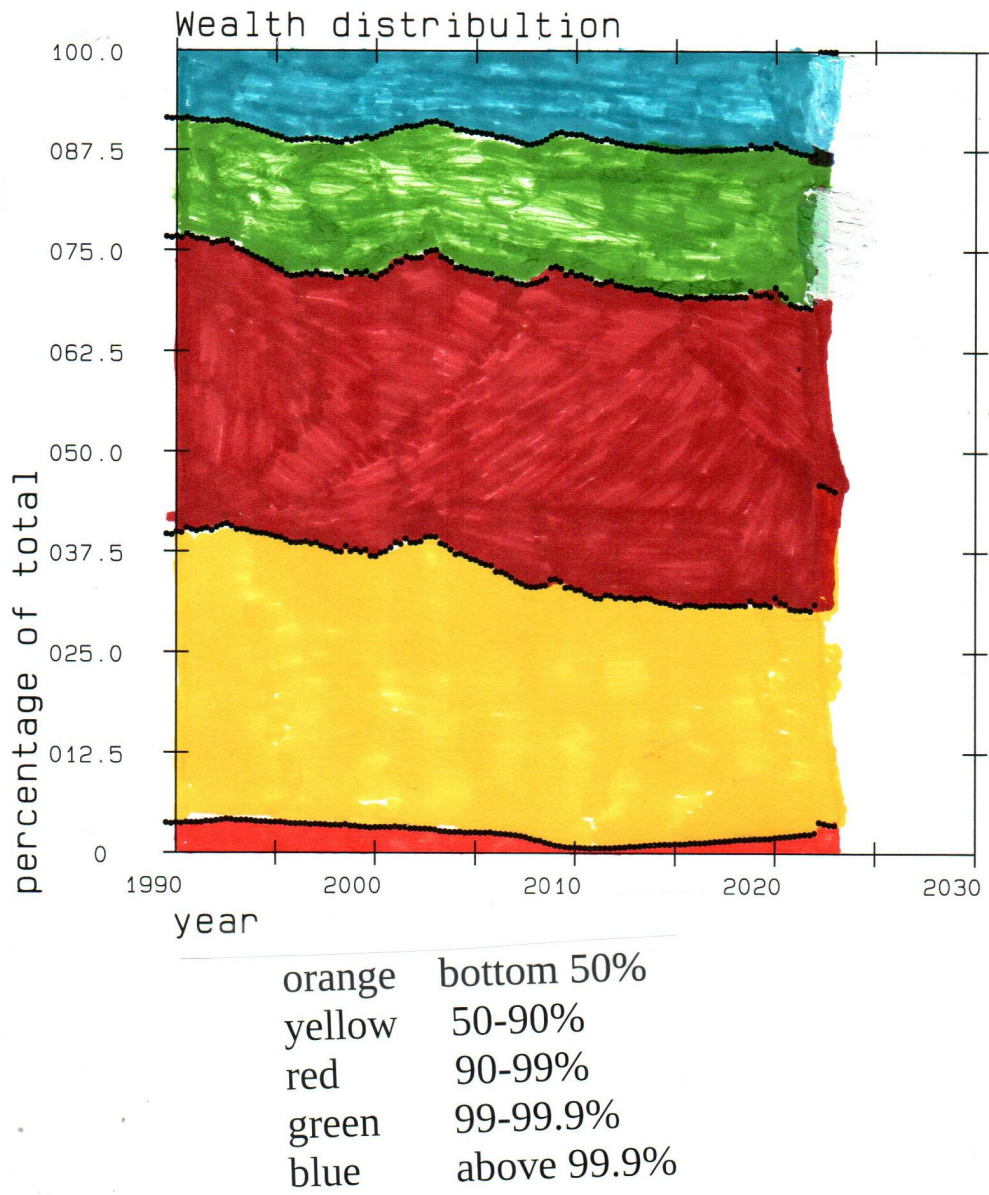


Figure 1: U.S. wealth distribution by percentiles of households. The bottom 50% (orange) own only a tiny fraction of the nation's wealth, while the wealthiest 10% of households (red, green and blue) own over 60% of the wealth. The bottom 50% were hit hard by the 2008 Great Recession, and took nearly ten years to recover.

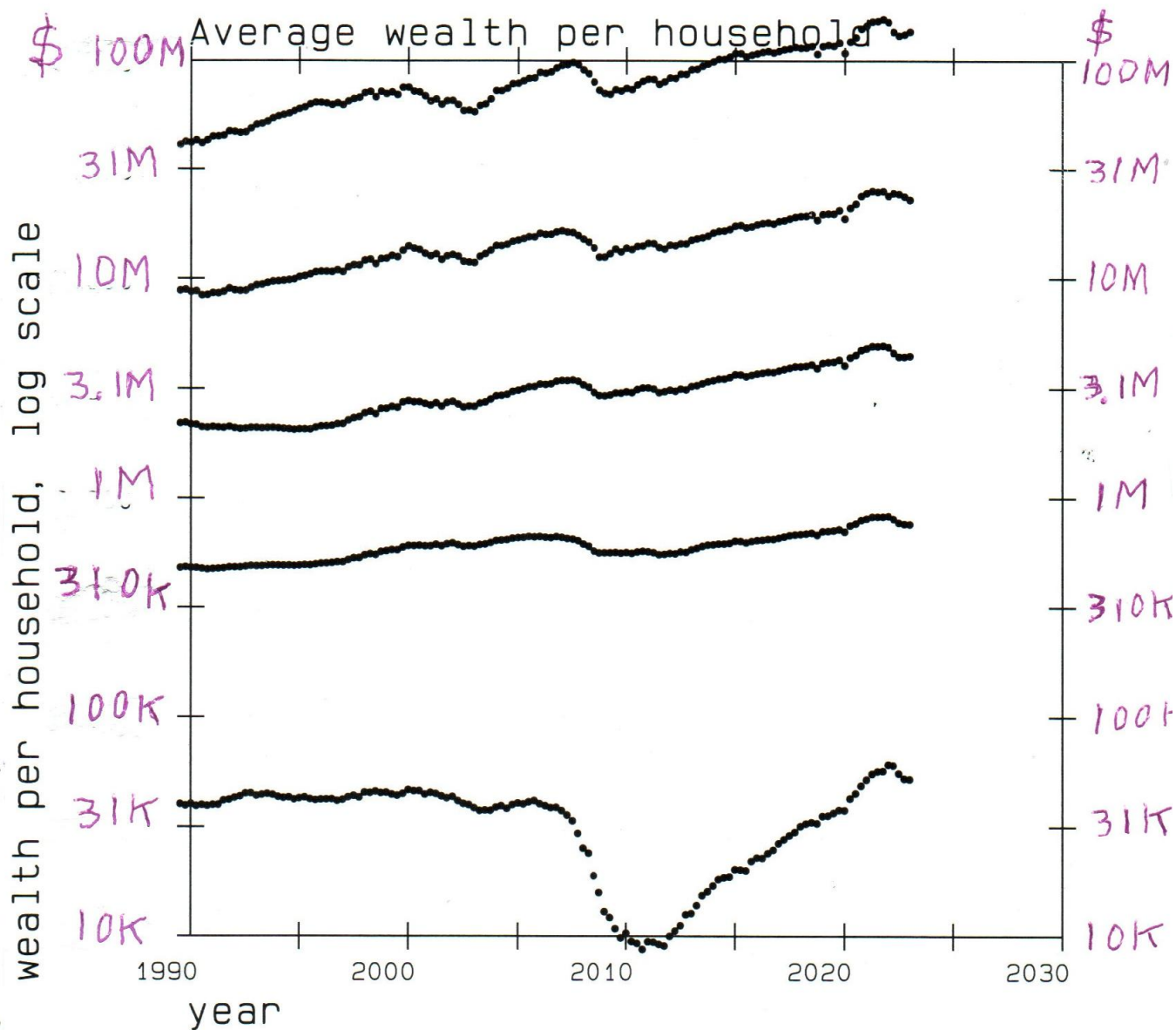
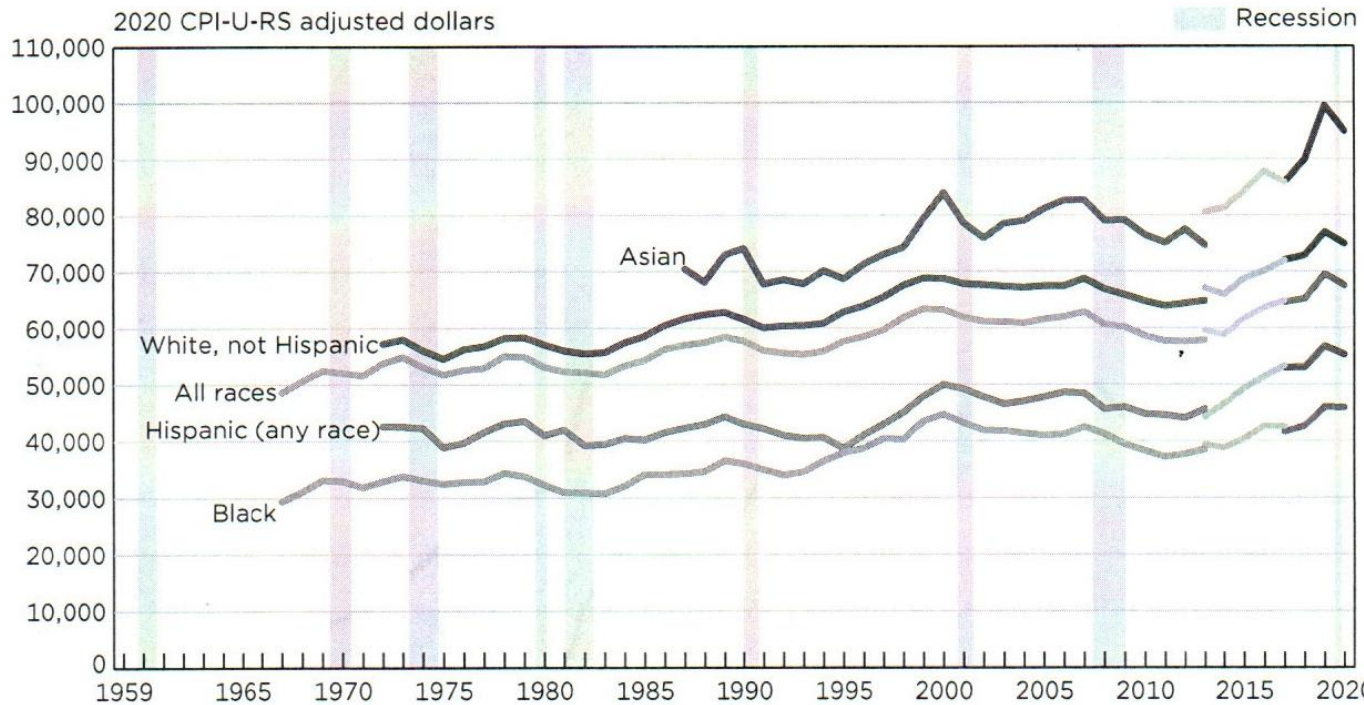


Figure 2: U.S. household wealth disparity. This is a semilog plot so that household wealths between \$10K and \$100M can be graphed together. The bottom 50% now own an average of only about \$50,000, while the top 0.1% own over \$100,000,000! Over the past 30 years the wealth of the bottom 50% has only risen slightly in real dollars, despite the growth in GDP. The wealth of all the higher groups has gone up steadily with GDP. Wealth is being more and more concentrated at the top.

Figure 2.

Real Median Household Income by Race and Hispanic Origin: 1967 to 2020
(Households as of March of the following year)



Notes: The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. Refer to Table A-2 for historical race footnotes. The data points are placed at the midpoints of the respective years. Median household income data are not available prior to 1967. More information on the CPI-U-RS dollar adjustment and recessions are available in Appendix A. Information on confidentiality protection, sampling error, nonsampling error, and definitions is available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar21.pdf>.

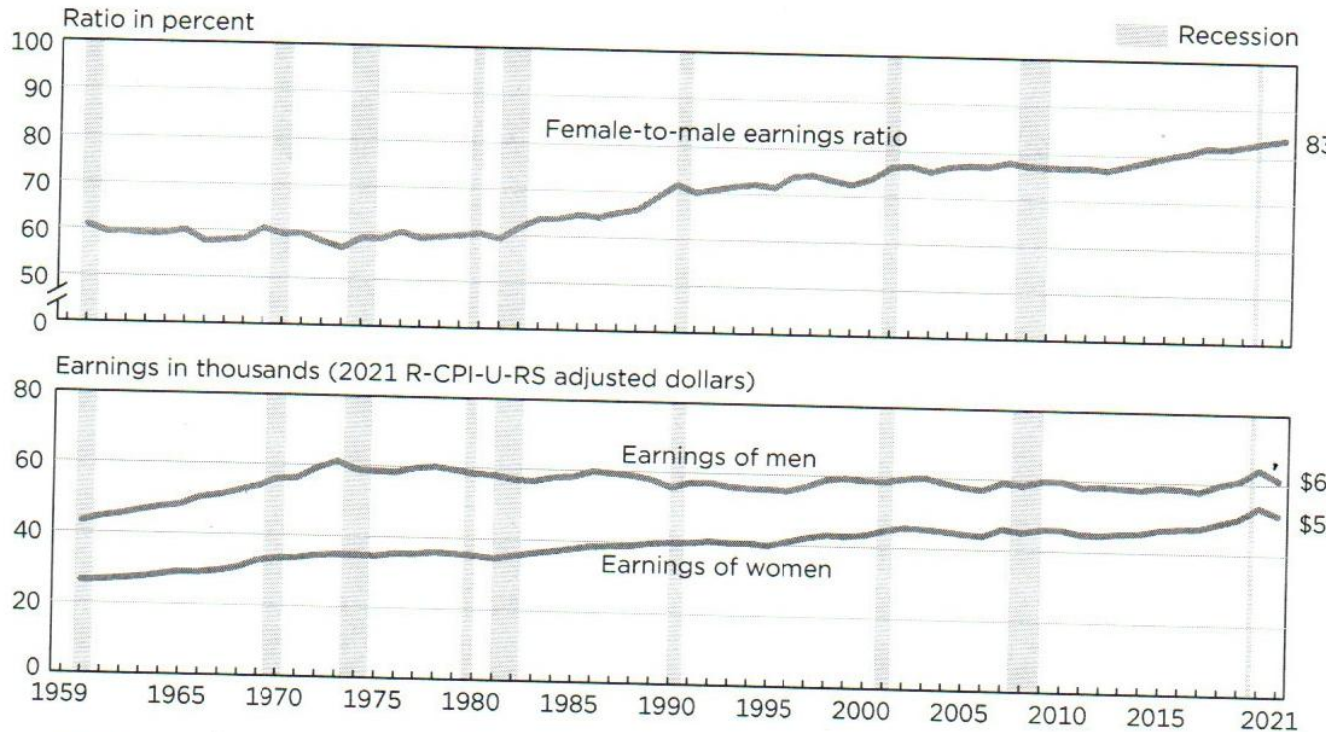
Source: U.S. Census Bureau, Current Population Survey, 1968 to 2021 Annual Social and Economic Supplements (CPS ASEC).

Figure 3: Household income by race and ethnicity. In order of descending wages: Asians, Whites, Hispanics and Blacks. The wealth gap has persisted.

Figure 6.

Female-to-Male Earnings Ratio and Median Earnings of Full-Time, Year-Round Workers 15 Years and Older by Sex: 1960 to 2021

(People as of March of the following year)



Notes: Refer to Table A-7 for historical footnotes. The data points are placed at the midpoints of the respective years. Data on earnings of full-time, year-round workers are not readily available before 1960. Data are for people aged 14 and older for years prior to 1980. More information on the R-CPI-U-RS dollar adjustment and recessions is available in Appendix A. Information on confidentiality protection, sampling error, nonsampling error, and definitions is available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar22.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 1961 to 2022 Annual Social and Economic Supplements (CPS ASEC).

Figure 4: Median earnings of full-time year-round workers 15 years and older by sex, 1960 to 2021, adjusted for inflation. These are workers, not managers nor executives. Note that the ratio of women's to men's wages has been rising, but still lags. After 1970, men's median income has remained constant in real dollars.