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New Data Show Growing Wealth Inequality

Federal Reserve Report Shows Need to Preserve Estate Tax

Republican leaders in Congress are poised for a new push to repeal the federal estate tax—even as a new report from the Federal Reserve Board (FRB) reminds us of the critical role the estate tax plays in reducing the concentration of wealth in a few hands. The new report shows that the wealthiest one percent of Americans own more than a third of the net wealth in America—more than the poorest ninety percent of Americans put together—and this inequality has grown worse over the past fifteen years.

Huge, and Growing, Inequality of Wealth

The new Federal Reserve report, *Currents and Undercurrents: Changes in the Distribution of Wealth, 1989–2004*, is based on the latest data from the Survey of Consumer Finances, which is generally recognized as the best data source for measuring wealth inequality in the U.S. The table at right shows the main findings of the FRB report.

A Shrinking Pie: Distribution of U.S. Wealth in 1989 and 2004

	Bottom 50%	Next 40%	Top 10%: Next 5%	Top 10%: Next 4%	Top 10%: Top 1 %
1989	3.0%	29.9%	13.0%	24.1%	30.1%
2004	2.5%	27.9%	12.0%	24.1%	33.4%

Source: Federal Reserve Bank Analysis of Survey of Consumer Finances

- The wealthiest 1 percent of Americans owned 33.4 percent of the wealth in 2004, up from 30.1 percent in 1989.
- The wealthiest 5 percent of Americans held 55.5 percent of the wealth in 2004.
- The poorest 50 percent of the American population collectively owned 2.5 percent of the wealth in 2004, down from 3.0 percent in 1989.
- The very wealthiest 1 percent of Americans now own a bigger piece of the pie (33.4 percent) than the poorest 90 percent put together (30.4 percent).

For some specific types of wealth, this inequality is even greater:

- The wealthiest 1 percent of Americans owned 62.3 percent of the business assets in 2004.
- The wealthiest 5 percent collectively owned 88.7 percent of business assets.
- The wealthiest 5 percent also owned 93.7 percent of the value of bonds, 71.7 percent of nonresidential real estate, and 79.1 percent of the value of stocks.

"This report serves as a stark reminder of why the estate tax was enacted in 1916: to restrain the growth of wealth inequality in this country," said CTJ Director Robert S. McIntyre. "Permanent estate tax repeal would once again open the floodgates to an untrammeled concentration of wealth and political power in the hands of the very wealthiest Americans."

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