BILLIONAIRE BONANZA

THE FORBES 400 AND THE REST OF US

CHUCK COLLINS & JOSH HOXIE

NOVEMBER 2017

INEQUALITY.ORG
PROJECT OF THE INSTITUTE FOR POLICY STUDIES

Institute for Policy Studies

CO-AUTHORS:

Chuck Collins directs the Program on Inequality and the Common Good at the Institute for Policy Studies, where he also co-edits Inequality.org. His most recent book: *Born on Third Base: A One Percenter Makes the Case for Tackling Inequality, Bringing Wealth Home, and Committing to the Common Good*. Other reports and books by Collins include *Reversing Inequality: Unleashing the Transformative Potential of An More Equal Economy* and *99 to 1: How Wealth Inequality is Wrecking the World and What We Can Do About It*. His 2004 book *Wealth and Our Commonwealth*, written with Bill Gates Sr., makes the case for taxing inherited fortunes, and his *The Moral Measure of the Economy,* written with Mary Wright, explores Christian ethics and economic life. Collins co-founded the Patriotic Millionaires and United for a Fair Economy.

Josh Hoxie directs the Project on Opportunity and Taxation at the Institute for Policy Studies and co-edits Inequality.org. He co-authored a number of reports on topics ranging from economic inequality, to the racial wealth divide, to philanthropy. Hoxie has written widely on income and wealth maldistribution for Inequality.org and other media outlets. He worked previously as a legislative aide for U.S. Senator Bernie Sanders.

Graphic Design: Kenneth Worles, Jr.

Data Analyst: Amanda Page-Hoongrajok, University of Massachusetts Amherst.

Acknowledgements: We received significant assistance in the production of this report. We would like to thank our colleagues at IPS who helped us throughout the report development process, especially Jessicah Pierre, Sam Pizzigati, and Sarah Anderson.

The **Institute for Policy Studies** (www.IPS-dc.org) is a multi-issue research center that has been conducting path-breaking research on inequality for more than 20 years.

The IPS Inequality.org website (http://inequality.org/) provides an online portal into all things related to the income and wealth gaps that so divide us, in the United States and throughout the world**. Subscribe to our weekly newsletter at Inequality.org or follow us on Twitter and Facebook: @inequalityorg**

Institute for Policy Studies -National Office
1301 Connecticut Ave NW, Suite 600
Washington, DC 20036
www.ips-dc.org, Twitter: @IPS_DC
Facebook: http://www.facebook.com/InstituteforPolicyStudies

Institute for Policy Studies New England Office
30 Germania Street, Building L
Jamaica Plain, MA. 02130
Email: josh@ips-dc.org and chuck@ips-dc.org

Contents

Key Findings

This report exposes the extreme wealth concentrated within the fortunes of the 400 wealthiest Americans and compares this wealth to the much more meager assets of several different segments of U.S. society. We draw data from both the recently released 2017 *Forbes* 400 and the Federal Reserve's 2016 *Survey of Consumer Finances*.

Among our most significant findings:

- The three wealthiest people in the United States — Bill Gates, Jeff Bezos, and Warren Buffett — now own more wealth than the entire bottom *half* of the American population combined, a total of 160 million people or 63 million households.

- America's top 25 billionaires — a group the size of a major league baseball team's active roster — together hold $1 trillion in wealth. These 25 have as much wealth as 56 percent of the population, a total 178 million people or 70 million households.

- The billionaires who make up the full *Forbes* 400 list now own more wealth than the bottom 64 percent of the U.S. population, an estimated 80 million households or 204 million people — more people than the populations of Canada and Mexico combined.[1]

- The median American family has a net worth of $80,000, excluding the family car**.** The *Forbes* 400 own more wealth than 33 million of these typical American families.

- One in five U.S households, over 19 percent, have zero or negative net worth. "Underwater households" make up an even higher share of households of color. Over 30 percent of black households and 27 percent of Latino households have zero or negative net worth to fall back on.

Since the publication of the Forbes 400 list on October 17, 2017, Jeff Bezos wealth increased an estimated $7 billion, putting him in the number one spot on the list. This is just one example of the extreme pace wealth is concentrating among these 400 billionaires

These figures *underestimate* our current levels of wealth concentration. The growing use of offshore tax havens and legal trusts has made the concealing of assets more widespread than ever before.

To reduce extreme wealth inequality in the United States we need to take two key steps:

First, we must not make inequality worse through new tax cuts for the wealthy. The proposed Trump tax cuts, as currently designed, would grow top 1 percent fortunes and do little to reduce the ranks of America's "underwater nation."

Second, we need to implement policies to reduce concentrated wealth. Inequality will continue to widen unless we intervene directly to reduce grand concentrations of private wealth. By taxing our wealthiest households, we could raise significant revenues and then invest these funds to expand wealth-building opportunities across the economy. We could also broaden the distribution of America's wealth by encouraging employee ownership, matching savings programs, and similar initiatives.

The *Forbes* 400 and the Rest of Us

Over recent decades, an incredibly disproportionate share of America's income and wealth gains has flowed to the top of our economic spectrum. At the tip of that top sit the nation's richest 400 individuals, a group that *Forbes* magazine has been tracking annually since 1982. This top 400 has held a special significance in American life since the heyday of America's original Gilded Age in the late 19th century, when the famed ballroom of Mrs. Caroline Astor's Fifth Avenue mansion hosted exclusive parties open only to the top 400 of New York's elite.

Americans at the other end of our economic spectrum, meanwhile, watch their wages stagnate and savings dwindle. The share of American households today with zero or negative wealth — our Underwater Nation — has become substantial. The tens of millions of families currently underwater all have total debts larger than their total assets.

Wealth is what is left over after subtracting a family's total debt from their assets, including the value of their home, retirement savings, and other financial assets.

For a statistical representation of our nation's wealth, we rely on the just-published latest edition of the triannual Federal Reserve *Survey of Consumer Finances*.[2] For household wealth figures, we use the "net worth" figure reported by the Fed, and we subtract automobiles and other "durable goods" such as electronics, furniture, and household appliances, from this figure.

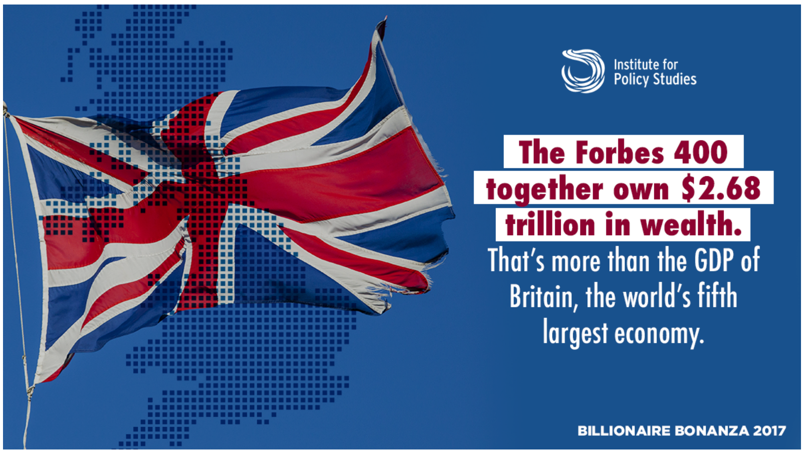
Subtracting durable goods from net worth offers us a more accurate depiction of household wealth as these items are not easily sellable and neither appreciate nor hold constant their value. As New York University economist Edward Wolff points out, the family car's "resale value typically far understates the value of their consumption services to the household."[3]

Federal Reserve researchers disaggregate data by race into four racial categories: black, Latino, white, and an "other." Unfortunately, the data do not allow for disaggregating this "other" category, and we present it as such in this report.

These pages examine the growing concentration of wealth at our economic summit and compare this concentration of wealth to the absence of wealth at and near the nation's economic bottom. Our findings show a deeply unbalanced economy. The lion's share of the nation's wealth remains in a tiny number of hands. No natural phenomena, we need to keep in mind, created this situation. Our current economic imbalances reflect instead unfair economic policies that benefit those at the top at the expense of those at the bottom. Fortunately, policies can change, and this report surveys the solutions close at hand and ready to be implemented.

The *Forbes* 400

In 1982, a wealthy American needed $75 million to enter the *Forbes* 400 list.[4] The minimum wealth necessary in 2017: $2 billion. The 1982 price of admission amounted, in today's dollars, to $189 million, less than a tenth of the wealth of today's poorest *Forbes* 400 affluents.



In 1982, the combined wealth of the *Forbes* 400 totaled $92 billion, or about $231 billion in today's dollars.[5] That's less than the combined wealth of just the top three wealthiest people on the *Forbes* list today. The combined wealth of the entire top 400 today adds up to $2.68 trillion, more than the GDP of Britain, the fifth-largest economy in the world.[6]

Many current members of the *Forbes 400* owe their fortunes to the successful companies they have launched. Others have inherited their way onto the list. But all the wealthy Americans on the *Forbes 400* list have benefited enormously from a system of tax, trade, and regulatory rules tipped in favor of wealth holders at the expense of wage earners. Tax policies, for instance, routinely favor capital income over wage income, and this preferential treatment disproportionately benefits the *Forbes* 400, especially those working in finance.

In 2017, the minimum wealth necessary to enter the Forbes 400 was $2 billion, more than ten times when the list first started in 1982 after accounting for inflation.

The United States is becoming, as the French economist Thomas Piketty warns, a hereditary aristocracy of wealth and power. Our wealthiest 400 now have more wealth combined than the bottom 64 percent of the U.S. population, an estimated 80 million households or 204 million people. That's more people than the population of Canada and Mexico combined.[7]

The Top 25 Wealth Holders

The wealthiest 25 individuals in the United States today own $1 trillion in combined assets. These 25, a group equivalent to the active roster of a major league baseball team, hold more wealth than the bottom 56 percent of the U.S. population combined, 178 million people.

The 25 wealthiest Americans include ten founders of corporations: Bill Gates (Microsoft), Jeff Bezos (Amazon), Mark Zuckerberg (Facebook), Larry Ellison (Oracle), Michael Bloomberg (Bloomberg), Larry Page and Sergey Brin (Google), Phil Knight (Nike), Michael Dell (Dell), and Elon Musk (Tesla).

The list also features seven heirs from families of dynastic wealth: two Koch brothers, three Waltons (Wal-Mart), and two fortunate souls from the Mars candy empire. Three of America's wealthiest 25 have made their money primarily from investing: Warren Buffett, George Soros, and James Simons.

Rounding out the top 25: casino mogul Sheldon Adelson, Steve Ballmer of Microsoft, British-American businessman Len Blavatnik, and Laurene Powell Jobs, the heir to the fortune of Steve Jobs, the founder of Apple. (See Appendix for a full breakdown of the *Forbes* top 25.)

Race and the *Forbes* 400

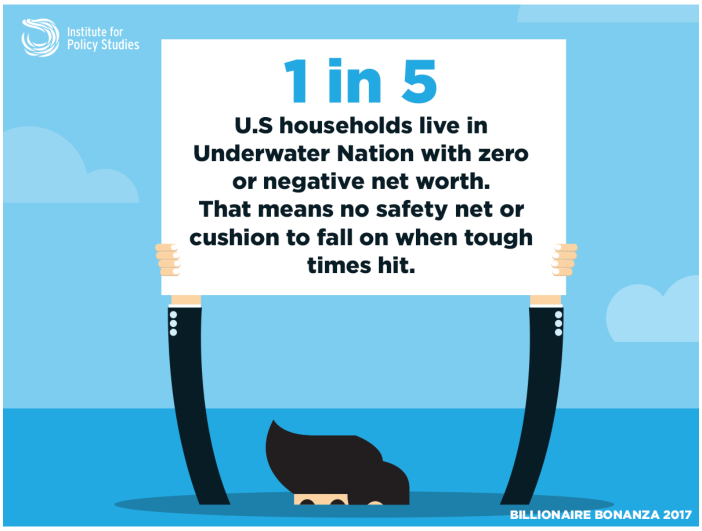
Only two African-Americans, Oprah Winfrey (#264 with $3 billion) and tech investor Robert Smith (#226 with $3.3 billion), currently reside within the *Forbes 400*.

Five members of the *Forbes 400* have a Latino background. They include Jorge Perez, the condo king of Miami (#264 with $3 billion) and Arturo Moreno, a billboard billionaire and owner of the Los Angeles Angels baseball team (#324 with $3.5 billion). The three remaining Latinos all hail from the family of the late Colombian beer magnate Julio Mario Santo Domingo, a major shareholder of SABMiller. His sons Alejandro and Andres Santo Domingo sit at #132 on the list with $4.8 billion each, with son Julio III at #340 with $2.4 billion.

All the top 25 members of the *Forbes* 400 are white.

Underwater Nation: Zero or Negative Wealth

The *Forbes* 400 have so much more combined wealth than the rest of us in part because so many of us have zero or negative wealth. Almost one in five American households now resides in our Underwater Nation. These households often have no savings at all or owe more than they own. Excluding the value of the family car, 19 percent of U.S. households have zero or negative net worth.



Looking at this trend through the lens of race reveals that 30 percent of black households and 27 percent of Latino households have zero or negative wealth. About 14 percent of white households and 24 percent of "other" households reside in this same underwater zone. In other words, black and Latino families are about twice as likely to be underwater as white families.

Families with no financial reserves face enormous stress. Reserves amount to life preservers for people who experience job loss, illness, divorce, or even car trouble. Even those low- and middle-income families who *do* have some wealth often don't have any liquid assets — cash or savings — at their disposal. Over 60 percent of Americans report not having enough savings to cover a $500 emergency.[8]

Underwater Nation

	Black	Latino	White	Other	Total
Zero wealth or Negative	30%	27%	14%	24%	19%

Financial planners advise us to put aside three months of living expenses in financial reserves, just in case. A family with $2,000 in monthly living expenses should have $6,000 in "liquidity," money easily accessible in an emergency situation. Less than half of U.S. households today have enough funds to tide themselves over for three months, even for life at the poverty level, according to the Prosperity Now Scorecard.[9]

Rural Americans, women, renters, and people without college degrees disproportionately populate the ranks of Underwater Nation.[10] These ranks also include a large number of people who appear to be in the stable middle class.

The Bottom 1 Percent

Some observers question the value of looking at wealth distribution through a combined negative net worth prism. They argue that highly indebted, high-income individuals in the bottom 1 percent— think young doctors with mountains of medical school debt — "pull down" the combined wealth of poorer Americans. A highly indebted, high-income population certainly does exist, but individuals who fit this categorization actually make up just a tiny portion of those at the very bottom of the wealth spectrum. Indeed, only 1.13 percent of those in the bottom 1 percent of the wealth distribution have a household income greater than $150,000**.**

Who overall rates as a bottom 1 percenter? The cutoff to be included in the bottom 1 percent is $101,000 in negative net worth. All combined, households in the bottom 1 percent have a combined negative net worth of $196 billion. For comparison, the top 1 percent, a category holding the exact same number of people, have positive $33.4 trillion in combined net worth.

The Racial Asset Divide

Our present-day racial wealth divide dramatically reminds us just how severely generations of racism, combined with ongoing discrimination, have impacted America's current allocation of wealth. The authors of this report have co-authored several other studies on this topic.[11]

White households today make up 65 percent of the U.S. population. They own nearly 90 percent of all wealth in the United States. Black families, 15 percent of the population, own less than 3 percent of the nation's wealth, and Latino families, 10 percent of the population, own less than 3 percent. "Other" families make up 10 percent of the population and own 7 percent of the nation's wealth.[12]

A white family at the median now owns 35 times more wealth than a median black household wealth and 25 times more than a median Latino family.

The *typical* — median — white household holds $151,800 in wealth. Black and Latino households own just $4,300 and $6,200. White median household wealth now runs 35 times greater than median black household wealth and 25 times greater than Latino.

Average wealth disparities run somewhat less extreme. The average white family owns $925,000, while the average black family owns $128,000 and the average Latino family $180,000. Average white families own seven times more wealth than the average black family and five times more than the average Latino family.

Racial Wealth and Population

	Black	Latino	White	Other	All races
Population*	47 Million	32 Million*	206 Million	32 Million	319 Million*
Households	18 Million	13 Million*	82 Million	13 Million	126 Million
Median Wealth	$4,300	$6,200	$151,800	$49,600	$80,000
Average Wealth	$127,700	$179,500	$925,400	$448,400	$683,000
Total Wealth	$2.35 Trillion	$2.30 Trillion	$75.45 Trillion	$5.92 Trillion	$86.09 Trillion
Proportion of total population	15%	10%	65%	10%	100%
Proportion of total wealth	2.73%	2.67%	87.64%	6.88%	100%

All figures in 2017 Dollars
** Federal Reserve Survey of Consumer Finances population figures differ slightly from Census Factfinder population figures as a result of different survey design. Many Latino respondents who would otherwise be classified as Latino are classified as "other".*

What explains this racial wealth divide? One prime contributing factor: a stark racial disparity in homeownership and home equity. In June 2017, white Americans owned their own homes at a 71.8 percent rate. By contrast, only 42.3 percent of African-Americans owned their own homes and only 45.5 percent of Latinos.[13]

What is causing this disparity? A skewed public investment in homeownership explains a substantial amount of the difference. The federal government currently devotes $72 billion annually to the tax break for homeowners called the mortgage interest deduction. White families get the far greater share of this $72 billion, since they tend to be have higher incomes and own more expensive homes.

A recent report from the Institute on Assets and Social Policy and the National Low Income Housing Coalition has found that white households make up two-thirds of the population but receive over three-quarters of the benefits from the mortgage interest deduction. Black and Latino households each represented about 13 percent of households but get just 6 and 7 percent of these benefits. This discrepancy translates to billions of dollars and contributes to a widening of the racial wealth divide year after year.[14]

Wealth Inequality within Racial Groups

Analysts considering the racial dynamics of wealth concentration typically draw comparisons *between* racial groups. But comparisons *within* racial group can be equally revealing.

The wealthiest 1 percent of all U.S. households own 39.7 percent of all private wealth. The wealthiest 1 percent of black households own 46 percent of all black-owned wealth, and the Latino wealthiest 1 percent own almost half of all wealth owned by Latinos.

Top 1 Percent By Race

	Black	Latino	White	Other	Overall
Total Wealth of Top 1 Percent Within Racial group	$1.08 Trillion	$1.13 Trillion	$28.12 Trillion	$1.77 Trillion	$33.40 Trillion
Total Wealth of Racial Group	$2.35 Trillion	$2.30 Trillion	$75.45 Trillion	$5.92 Trillion	$86.09 Trillion
Top 1 Percent Share of Wealth Within Racial Group	45.96%	49.13%	37.27%	29.90%	39.67%
Top 1 Percent Share of Overall Wealth	1.25%	1.31%	32.66%	2.06%	39.67%

Note: Overall refers to overall economy, not combined racial groups so row totals will not add up.

Reversing Extreme Wealth Concentration

As we release this 2017 edition of ***Billionaire Bonanza***, we are wary of pending public policies that will worsen the existing wealth divide. The Trump tax “reform” program has the potential to greatly exacerbate existing wealth disparities. The administration’s moves to repeal the estate tax, lower the top income tax rate, and widen opportunities for the abuse of “pass-through” income will all compound existing inequality.

To reverse existing inequalities, we first need to "do no harm." We need to reject tax and other federal policies that will add oil to the inequality fire. The current tax cut proposal, with an estimated 80 percent of the benefits flowing to wealthiest 1 percent of households, would compound these existing inequalities.[15]

A wide range of public policies could effectively help reverse inequality. In our recent report, ***Reversing Inequality: Unleashing the Transformative Potential of An Equitable Economy*** (Next System Project and Institute for Policy Studies, 2017), we review strategies that would effectively "raise the floor" and "level the playing field." But these approaches alone won't reduce the distorting effects of concentrated wealth. We need public policies that directly address this concentration. But taking that step can, to be sure, get devilishly difficult, mainly because the very wealthy are using offshore tax havens and private trusts to hide wealth and avoid public accountability and taxation. So before we implement our policy agenda, detailed below, we first need to address the "escape routes" the wealthy are now exploiting.

Solutions to Billionaire Bonanza

In times of war and national emergency, the United States has "conscripted wealth" to match the life-and-death sacrifices that some of us are called upon to make.[16] Our nation once again needs to conscript wealth to reverse extreme inequality.

Since 1960, income and wealth taxes on the richest households have steadily declined. The federal government and many states have reduced income taxes on top earners and phased out or watered down estate taxes on inheritances. This has shifted tax obligations onto lower and middle-income households and future generations.

The federal tax system has, as a result, become considerably less progressive, as we can see from any glance at "effective" tax rates, the actual percentage of income the wealthy pay in taxes as opposed to the statutory rate the tax code says they should pay. America's richest 1 percent, households with income averaging $1.7 million, pay an effective tax rate of 25 percent.[17] Between 1992 and 2012, the 400 highest-earning taxpayers in the United States saw their effective income tax rates decline from nearly 27 percent to less than 17 percent.[18] In other words, the higher up the economic ladder, the smaller the effective tax rate, a reality that reflects aggressive tax avoidance at the very top.

A combination of the following federal and state level tax policies could reverse these dynamics.

Restoring progressive income tax rates. In the 1950s, the top income tax rate stood at 91 percent, starting on joint-return income over $400,000, the equivalent of about $2 million today. Top income tax rates fell to 28 percent in 1986 and since then have gone no higher than 39.6 percent. Lawmakers should institute new, higher marginal rates on income above $250,000 and $1 million.

Taxing capital gains income at ordinary income tax rates. Under the current U.S. tax system, income from capital gains is taxed at considerably lower rates than income from wages. The 39.6 top income tax rate today almost doubles the basic 20 percent capital gains rate. Super-investor Warren Buffett has disclosed that he pays an effective tax rate of about 14 percent. His secretary pays an effective rate over 27 percent. Most of Buffett's income comes from capital gains. His secretary's income comes from wages.[19]

Closing the carried interest loophole. Hedge fund managers today routinely reclassify wage income as capital income through the "carried interest" loophole, significantly reducing their taxes in the process. A simple reform would be to tax all income the same, through a graduated rate system, regardless of its source. Under this new approach, low-income seniors would pay at the lowest rate of 15 percent on their retirement capital income while wealthy hedge fund investors would pay at the 39.6 percent top tax rate on their capital income.

Strengthen the estate tax. We should not just maintain the federal estate tax. We should expand it. Lawmakers established the estate tax in 1916 in response to the staggering inequalities of America's first Gilded Age. The estate tax also provides a powerful incentive for charitable giving and raises substantial revenue exclusively from citizens with the greatest capacity to pay. The U.S. estate tax is today paid exclusively by multi-millionaires and billionaires upon the transfer of wealth at death. In 2017, only couples with over $10.98 million in wealth — or single individuals with wealth over $5.49 million — face the tax.[20] The estate tax has a flat rate of 40 percent, but the effective rate, after exemptions, deductions, and loopholes, runs only 17 percent for all taxable estates and under 19 percent for estates above $20 million.[21] To narrow this gap, we need to move toward graduated rates and close existing loopholes. We need higher tax rates on estates over $50 million, $100 million, and $1 billion.

Expanding state-level estate taxes. States could also protect and expand state-level estate taxation. Since the 1920s, states have received a portion of the federal estate tax through a state estate tax credit. In 2001, anti-tax forces attempted to eliminate the estate tax and passed a law phasing out the state credit, functionally eliminating the share of tax proceeds going to states. Eighteen states took action to retain state-level estate taxes, but 32 states no longer raise revenue through estate tax systems. These include states like California that previously raised over $1 billion a year from the estate tax. Restoring estate taxes in states without them could raise an additional $3 billion to $6 billion per year, funds that could pay for public investments and middle-class tax reductions.

Exploring wealth taxation. Estate taxes only apply to large estates at death, but a wealth tax could be levied on an annual basis. Several European countries — France and the Netherlands, among others — have annual net worth taxes. U.S. constitutional issues may prohibit the direct taxation of wealth at the national level, but states face no such prohibition.[22] In any case, we do have the potential to levy a national wealth tax and implement state-level wealth taxes focused on raising revenue on households with $50 million or more, with flat rates — say one-half of 1 percent — or graduated rates, starting at

0.15 percent for wealth between $50 million and $100 million and rising to 1 percent on wealth over $500 million.[23]

Instituting a financial transaction tax. Sometimes called a "Wall Street speculation" or "Robin Hood" tax, a financial transaction tax would be a modest levy on financial transactions. Even with a low rate, such a tax could raise substantial revenue and curb speculative high-frequency trading as well. One pending proposal, the Wall Street Trading and Speculator's Act, would levy a tax of 0.03 percent on stock, bond, and derivative trades. That tax would raise $350 billion over ten years, according to an estimate by the Joint Committee on Taxation.[24] Another financial transaction tax initiative, the Inclusive Prosperity Act of 2017, would impose a tax of 0.5 percent on stocks, 0.1 percent for bonds, and 0.005 percent for derivatives. Such a tax would raise $600 billion over ten years.[25] Financial transaction taxes could be designed to raise as much as $300 billion per year.[26] Eleven European countries have implemented financial transaction taxes, and support for the concept is growing in the United States.[27]

Addressing the problem of hidden wealth. Calculations by the compilers of the annual *Forbes* list may *understate* the net worth of many of those extremely wealthy individuals listed. The *Forbes* calculations, for example, do not take into account the growing amount of U.S. and global wealth hidden in offshore bank accounts and secrecy jurisdictions. Nor do the *Forbes* data include the trillions in wealth buried in complicated and opaque trust mechanisms. Research from economist Gabriel Zucman and others shows more than 10 percent of global GDP is hidden in offshore tax shelters.[28] This research estimates households in the top 0.01 percent, with wealth over $45 million, evade 25 to 30 percent of personal income and wealth taxes.[29]

Conclusion

The elite ranks of our billionaire class continue to pull apart from the rest of us. We have not witnessed such extreme levels of concentrated wealth and power since the first Gilded Age a century ago. Such staggering levels of wealth inequality threaten our democracy, compound racial and class divisions, undermine social cohesion, and destabilize our economy.

Extreme wealth disparities underlay many of our society's most vexing problems, and many Americans are now joining an emerging anti-inequality movement that includes students holding massive debt, workers whose wages have remained flat for decades, and families that have seen their wealth and savings evaporate. A century ago, a similar anti-inequality upsurge took on America's vastly unequal distribution of income and wealth and, over the course of little more than a generation, fashioned a much more equal America. We can do the same.

Methodology

The two major datasets used in this report were the 2017 *Forbes* Magazine *Forbes 400* and the 2016 *Federal Reserve Survey of Consumer Finances*. *Forbes* has been annually calculating the wealth of the 400 wealthiest Americans since 1982. The triennial Federal Reserve Board of Governors survey has become widely accepted as the most comprehensive government dataset documenting household wealth. These two datasets provide the basis for our wealth estimations of the top 400, as well as for America's general populations. The Fed survey intentionally excludes, in the interest of privacy, those featured in the *Forbes* 400.

Our analysis of the *Survey of Consumer Finances* data was made possible with exceptional quantitative help from Amanda Page-Hoongrajok of the University of Massachusetts at Amherst.

We calculated household wealth figures using the *Survey of Consumer Finances* variable "net worth" minus "durable goods." This method follows the lead of New York University economist Edward Wolff, a veteran scholar who has researched wealth in the United States for decades. Wolff points out that durable consumer goods — like televisions, furniture, and household appliances — are not easily marketed. Automobiles, the main durable good included in the *Survey of Consumer Finances*, are slightly easier to sell. But cars typically lose rather than gain value over time, making them a weak store of wealth. Wolff's exclusion of automobiles is also consistent with the Federal Reserve's approach to national accounts, where vehicle purchases are listed as expenditures rather than savings.[30]

This report compares the combined wealth of those at the top to the combined wealth of those at the bottom. Our bottom figure represents a net total. We subtract the negative wealth of those underwater from the positive wealth of those in the same bottom population segment described. The nation's net wealth only turns positive when we cross the 48th percentile. In other words, below the 48th percentile all the families combined owe more than they own.

All figures have been adjusted to September 2017 dollars using Consumer Price Index for Urban Consumers (CPI-U).

For information on the methodology *Forbes* researchers use to calculate their list, see:
Kroll, Luisa and Kerry Dolan. "Forbes 400 2017: Meet The Richest People In America." *Forbes*. October 17, 2017. Online.

Appendix

Forbes Top 25

Rank	Name	Wealth ($billions)	Source of Wealth	Residence
1	Bill Gates	$89.0	Microsoft	Medina, WA
2	Jeff Bezos	$81.5	Amazon	Seattle, WA
3	Warren Buffett	$78.0	Berkshire Hathaway	Omaha, NE
4	Mark Zuckerberg	$71.0	Facebook	Palo Alto, CA
5	Larry Ellison	$59.0	Oracle	Woodside, CA
6	Charles Koch	$48.5	Koch Industries	New York, NY
6	David Koch	$48.5	Koch Industries	Wichita, KS
8	Michael Bloomberg	$46.8	Bloomberg LP	New York, NY
9	Larry Page	$44.6	Google	Palo Alto, CA
10	Sergey Brin	$43.4	Google	Los Altos, CA
11	Jim Walton	$38.4	Wal-Mart heir	Bentonville, AR
12	S. Robson Walton	$38.3	Wal-Mart heir	Bentonville, AR

13	Alice Walton	$38.2	Wal-Mart heir	Fort Worth, TX
14	Sheldon Adelson	$35.4	Sands Casino	Las Vegas, NV
15	Steve Ballmer	$33.6	Microsoft	Hunts Point, WA
16	Jacqueline Mars	$25.5	Mars Candy heir	The Plains, VA
16	John Mars	$25.5	Mars Candy heir	Jackson, WY
18	Phil Knight	$25.2	Nike	Hillsboro, OR
19	Michael Dell	$23.2	Dell Computers	Austin, TX
20	George Soros	$23.0	Hedge funds	Katonah, NY
21	Elon Musk	$20.8	Tesla Motors	Los Angeles, CA
22	Paul Allen	$20.6	Microsoft	Mercer Island, WA
23	Len Blavatnik	$19.6	Diversified Business	London, UK
24	Laurene Powell Jobs	$19.4	Apple, Disney	Palo Alto, CA
25	James Simons	$18.5	Hedge funds	East Setauket, NY

Total Top 25 Combined: $1 Trillion

Source: Forbes, October 17 2017.

Forbes Wealth Comparisons

Group	**Combined wealth**	**Equivalent**
Forbes Top 3	$250 billion	About the same as half the combined wealth of the bottom half of the country
Forbes Top 25	$1 trillion	56 percent of the population combined, a total 178 million people or 70 households
Forbes 400	$2.68 trillion	More wealth than 33 million median wealth families
Forbes Top 400	$2.68 trillion	More than 64% of households. More than GDP of Britain.

Endnotes

[1] Population figures from The World Fact Book, U.S. Central Intelligence Agency.

[2] Jesse Bricker et al, "Measuring Income and Wealth at the Top Using Administrative and Survey Data" Federal Reserve Board, April 1, 2016.

[3] Edward N. Wolff, *Household Wealth Trends In The United States, 1962-2013: What Happened Over The Great Recession?* National Bureau Of Economic Research, 2014.

[4] Leonard Broom and William Shay "Discontinuities in the Distribution of Great Wealth: Sectoral Forces Old and New," Paper Prepared for the Conference on "Saving, Intergenerational Transfers, and the Distribution of Wealth," Jerome Levy Economics Institute, Bard College, 2000.

[5] Ibid.

[6] GDP Ranking, The World Bank, July 2017.

[7] Population figures from The World Fact Book, U.S. Central Intelligence Agency.

[8] Maggie McGrath, "63% Of Americans Don't Have Enough Savings To Cover A $500 Emergency," *Forbes Magazine*, January 6, 2016.

[9] The Prosperity Now Annual Scorecard was formerly known as the Corporation for Enterprise Development Assets and Opportunity Scorecard. An interactive digital version of the scorecard is available online.

[10] Olivier Armantier, Luis Armona, Giacomo De Giorgi, and Wilbert van der Klaauw, "Which Households Have Negative Wealth?" Liberty Street Economics, August 1, 2016.

[11] The authors of this report have co-authored two other studies on this topic:

Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie, and Emanuel Nieves, "The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class," Institute for Policy Studies and Prosperity Now, 2017.

And

Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie, and Emanuel Nieves, "The Ever Growing Gap: Without Change, African-American and Latino Families Won't Match White Wealth for Centuries," Institute for Policy Studies and Prosperity Now, 2016.

[12] Note: this estimate for Latino household share of the U.S. total is smaller than some census data. The Census Quick Facts lists Hispanic or Latino Households as 17.8 percent while the Survey of Consumer Finances lists just 10 percent. The Federal Reserve addresses this disparity in part explaining that the survey structure beginning in 2004 in which they ask successive questions about Latino culture and Latino identity may skew this data.

See: U.S. Census QuickFacts, Population Estimates, July 1, 2016.

And

Jesse Bricker et al. "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances," Federal Reserve, October 2017, p. 38.

[13] US Census Bureau, Quarterly Homeownership Rates by Race and Ethnicity of Householder, 1994 to Present, Table 16.

[14] Laura Sullivan, Tatjana Meschede, Thomas Shapiro, Maria Fernanda Escobar, "Misdirected Investments: How the Mortgage Interest Deduction Drives Inequality and the Racial Wealth Gap," Institute on Assets and Social Policy (IASP) & National Low Income Housing Coalition, October 2017.

[15] "A Preliminary Analysis of the Unified Framework" Tax Policy Center, October 27, 2017.

[16] See an excellent history, Kenneth Scheve and David Stasavage, *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe* (Russell Sage Foundation, 2016).

[17] Citizens for Tax Justice, "Who Pays Taxes in America in 2016?" April 12, 2016.

[18] See this IRS Tax Table. Also see: Noam Scheiber and Patricia Cohen, "For the Wealthiest, a Private Tax System that Saves Them Billions," *The New York Times*, December 29, 2015.

[19] Buffett initially disclosed this information in an op-ed: Warren Buffett, "Stop Coddling the Super-Rich," *The New York Times*, August 14, 2011. His effective tax rate subsequently went down from 17.4 percent to 16 percent. See Jeanne Sahadi, "Warren Buffett to Trump: "I have paid federal income taxes every year since 1944," *CNN Money*, October 10, 2016.

[20] See this IRS table on estate tax.

[21] Tax Policy Center, "Current Law Distribution of Gross Estate and Net Estate Tax by Size of Gross Estate," 2013.

[22] Roy Ulrich, "The Constitutionality of a Net Worth Tax," Goldman School of Public Policy, University of California, January 12, 2015.

[23] Roy Ulrich, "A Wealth Tax for the States," January 20, 2015, available at SSRN.

[24] "MEMO: Joint Tax Committee Finds Harkin, DeFazio Wall Street Trading and Speculators Tax Generates More Than $350 Billion," Office of Rep. Pete Defazio, November 9, 2011.

[25] "The Inclusive Prosperity Act of 2017," Office of Senator Bernard Sanders.

[26] Robert Pollin and James Heintz, "The Revenue Potential of a Financial Transaction Tax for U.S. Financial Markets," Political Economic Research Institute, UMASS-Amherst, March 10, 2016.

[27] Leonard E. Burman, William G. Gale, Sarah Gault, Bryan Kim, James Nunns, Steven M. Rosenthal, "Financial Transaction Taxes in Theory and Practice," Tax Policy Center, June 30, 2015.

[28] Annette Alstadsæter, Niels Johannesen, and Gabriel Zucman. "Who Owns The Wealth In Tax Havens? Macro Evidence And Implications For Global Inequality." National Bureau Of Economic Research. September 2017.

[29] Annette Alstadsaeter, Niels Johannesen, and Gabriel Zucman, "Tax Evasion and Inequality," NBER Working Paper 23772, Revised October 6, 2017.

[30] Edward N. Wolff, *Household Wealth Trends In The United States, 1962-2013: What Happened Over The Great Recession?* National Bureau Of Economic Research, 2014.