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U.S. FAMILIES' WEALTH, INCOMES ROSE, FED SURVEY SAYS

Minority households and families with less education had larger proportional gains in income than other families between 2013 and 2016

By Harriet Torry
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U.S. families' wealth and incomes rose across the board as the economic recovery continued in recent years, a shift after they stagnated for all but the most well-off in the aftermath of the recession, the Federal Reserve reported Wednesday.

Minority households and families with less education had larger proportional gains in income than others between 2013 and 2016, suggesting the fruits of the recovery spread to a wider swath of society, the Fed said.

"The breadth of what we see at the bottom means those strata are starting to catch up after years of lagging," said Diane Swonk, founder of DS Economics, attributing much of the gains to **minimum wage increases** during the survey period.

Nonetheless, the gap between the wealthy and the rest of society continued to widen. The top 1 percent of households took home nearly a quarter of total income last year, 23.8 percent, up from 20.3 percent in 2013. The share of wealth held by the top 1 percent rose to 39 percent in 2016, up from 30 percent in 1989.

Median household income -- the level at which half are above and half are below -- before taxes and adjusted for inflation rose 10 percent to \$52,700 in 2016 from 2013, according to the Fed's Survey of Consumer Finances, which is conducted every three years.

Households' median net worth, or wealth, rose 16 percent in the same period, reflecting broadening gains as the economy grew 2.2 percent a year on average, inflation stayed low and the unemployment rate fell.

In the previous survey, conducted 2010 to 2013, median income fell 5 percent while median wealth fell 2 percent.

The improvements in households' wealth came as asset prices posted strong gains during the survey years. The Dow Jones Industrial Average increased 47.3 percent from January 2013 to December 2016, while the S&P 500 rose 53.1 percent. Home prices rose 28 percent in the same period, according to the S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index.

The survey's results revealed sharp disparities by race and education. Families without a high school diploma saw their median income grow 15 percent during the period, while those with a college degree saw more modest 2 percent growth.

Despite that improvement, more educated families continued to have higher incomes and wealth overall.

A household headed by a person with a college degree last year had over three times more median income and nearly 13 times the wealth of a person with no high school diploma.

A Fed economist noted that the levels of income and wealth of black and Hispanic households is very low compared with other groups, so while they experienced large gains proportionally, the gaps between white and nonwhite households are very large.

The median incomes of black families rose 10 percent, while those of Hispanic households increased 15 percent, the Fed said. That compared with 6 percent gains for white families.

Still, median incomes for white families are between 20 percent and 75 percent higher than for families in all nonwhite and Hispanic groups, the Fed said.

White households had median net worth of \$171,000 in 2016, compared with \$17,600 for black or African-American non-Hispanic households and \$20,700 for Hispanic or Latino families, the Fed said.

Rising inequality has been a thorny issue among economists, policy makers and the wider public in recent years amid concerns about the uneven gains of the economic recovery.

Federal Reserve Governor Lael Brainard **said this week** that inequality is a threat to the long-run productive potential of the economy, since the wealthiest households are likely to save a much larger proportion of any additional income they earn relative to households in lower income groups.