

Middle-Class Wealth in Meltdown, NYU Economist Finds

The collapse of the stock market and home prices has taken an immense toll on the assets of the middle class and has hit minorities and young adults especially hard, according to a new study authored by New York University Economics Professor Edward Wolff.

His findings appear in a report, "The Asset Price Meltdown and the Wealth of the Middle Class," released by the US2010 Project at Brown University.

"Most telling is that the wealth of the average person by 2010 was at its lowest level since 1969," said Wolff. "Inequality of net worth, after almost two decades of little change, rose sharply between 2007 and 2010. Inequalities rose by income class, by race and ethnicity, and across age groups."

The American at the midpoint in the wealth distribution had a net worth of \$107,800 in 2007, falling to \$57,900 in 2010 (in constant 2007 dollars) – actually less than the value in 1969 (\$63,600). The middle class benefited from very rapid asset appreciation during the 2001-2007 period (6 percent per year). But the steep drop in asset prices during the recession, particularly housing, hit the middle class harder than more affluent Americans. Blacks and Hispanics and young adults also increased their net worth earlier in the decade, because so much of their assets were tied up in home ownership. These gains were wiped out during the recession.

"Middle class Americans' reliance on home values, which still make up two-thirds of their total wealth, and their high levels of mortgage debt have been the main cause of increasing wealth inequality since 2007," Wolff observed. "Their chance for a rebound hinges mainly on what happens to the housing market. Clearly at the moment the advantage is to those whose wealth is more linked to assets like stocks."

Download the full report [here](#).

Funded by the Russell Sage Foundation and Brown University, the US 2010 research project examines changes in American society in the recent past. For more, go to the US 2010 project web page: www.s4.brown.edu/us2010.



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