Distribution of wealth

As agricultural policy analysts with backgrounds in economics, agricultural economics, and political economy, we spend most of our time thinking about crops, crop prices, net farm income, and the economic characteristics of the agricultural sector. But occasionally we run across economic numbers that jolt us.

That happened when James B. Steele, who along with Donald L. Barlett recently wrote “America: What Went Wrong? The Crisis Deepens,” was interviewed by Michael Smerconish on one of his recent programs.

In that interview, Steele reported that today 59 people control half the US wealth. Let that sink in: Half of the sum total of all US wealth is controlled by 59 people.

For two columnists who regularly report on net farm income that is in the range of $100 billion or so “in a good year,” such a share of wealth is astounding. Yes, income and wealth are not the same thing, but still.

Other sources suggest a similar pattern of wealth concentration, just not to that extent. For instance Statista.com reports that in the first quarter of 2020, the top 1 percent held 31.2 percent of all wealth in the US, the 90th to the 99th percentile held 37.5 percent, the 50th to the 90th percentile held 29.8 percent, and the bottom 50 percent held just 1.4 percent of all wealth in the US.

We have even seen a graphic that suggests that the net worth of the bottom quarter of US households is negative; they owe more than the value of their owned assets. That would certainly be true for recent college graduates with significant education loans as well as those who depend on payday loans while digging themselves into a deeper hole.

For the purpose of our analysis the details of the concentration of wealth is less important than the significant skew in wealth.

Wealth serves as a cushion on annual income. If income in a given year declines, those with significant wealth can draw on that wealth to supplement that temporary drop in income. Their wealth can tide them through difficult times.

With the coronavirus crisis and the shuttering of significant parts of the economy, many small business owners have lost their source of income, while the loans they took out to start the business hang over their heads. At this point their net wealth is often negative, which puts a cloud over their future and that of their children. They may have even invested a significant portion of their previously accumulated wealth in that business, only to see it evaporate. This also suggests that the recovery will be exceedingly slow. Some will never fully recovery from the current economic collapse and their children may pay the price as well.

If anything, this hints that the current crisis has the potential to make the distribution of wealth even more skewed.

So why should any of this bother us?

To start with, wealth represents more than fixed assets and dollars in the bank. From the perspective of political economy, it means that those with greater wealth have access to the levers of power while those with little or no net worth are left on the outside.

Bringing this discussion back to agriculture, it confirms what we have seen in the development of agricultural policy since the early 1980s. Input suppliers and processors of agricultural products have captured an increasing sway over agricultural policy to the detriment of farmers and farm organizations. The significant wealth (economic power) of increasingly concentrated agricultural input and processing firms gives them more influence when it comes to writing farm bills and trade legislation than individual farmers.

We view the current political instability as largely a result of the loss of economic stability by a large portion of the US population. Restoration of some balance in the distribution of wealth could help calm the current crisis atmosphere.

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