Corporate Wealth Share Rises for Top-Income Americans

By DAVID CAY JOHNSTON, New York Times, January 29, 2006

New government data indicate that the concentration of corporate wealth among the highest-income Americans grew significantly in 2003, as a trend that began in 1991 accelerated in the first year that President Bush and Congress cut taxes on capital.

In 2003 the top 1 percent of households owned 57.5 percent of corporate wealth, up from 53.4 percent the year before, according to a Congressional Budget Office analysis of the latest income tax data. The top group's share of corporate wealth has grown by half since 1991, when it was 38.7 percent.

In 2003, incomes in the top 1 percent of households ranged from $237,000 to several billion dollars.

For every group below the top 1 percent, shares of corporate wealth have declined since 1991. These declines ranged from 12.7 percent for those on the 96th to 99th rungs on the income ladder to 57 percent for the poorest fifth of Americans, who made less than $16,300 and together owned 0.6 percent of corporate wealth in 2003, down from 1.4 percent in 1991.

The analysis did not measure wealth directly. It looked at taxes on capital gains, dividends, interest and rents. Income from securities owned by retirement plans and endowments was excluded, as were gains from noncorporate assets such as personal residences.

This technique for measuring wealth has long been used in standard economic studies, though critics have challenged that tradition.

Among them is Stephen J. Entin, president of the Institute for Research on the Economics of Taxation in Washington, which favors eliminating most taxes on capital and teaches that an unintended consequence of the corporate income tax is depressed wage rates. Mr. Entin said the report's approach was so flawed that the data were useless.

He said reduced tax rates on long-term capital gains may have prompted wealthy investors to sell profitable investments. That would show up in tax data as increased wealth that year, even though the increase may have built up over decades.

Long-term capital gains were taxed at 28 percent until 1997, and at 20 percent until 2003, when rates were cut to 15 percent. The top rate on dividends was cut to 15 percent from 35 percent that year.

The White House said it did not believe that the 2003 tax cuts had much influence on wealth shares. It also said that since wealth is transitory for many people, a more important issue is how incomes and wealth are influenced by the quality of education.

''We want to lift all incomes and wealth,'' said Trent Duffy, a White House spokesman. ''We are starting to see that the income gap is largely an education gap.''

''The president thinks we need to close the income gap, and he has talked about ways in which we can do that,'' especially through education, Mr. Duffy said.

The data showing increased concentration of corporate wealth were posted last month on the Congressional Budget Office Web site. Isaac Shapiro, associate director of the Center on Budget and Policy Priorities in Washington, spotted the information last week and wrote a report analyzing it.

Mr. Shapiro said the figures added to the center's ''concerns over the increasingly regressive effects'' of the reduced tax rates on capital. Continuing those rates will ''exacerbate the long-term trend toward growing income inequality,'' he wrote.

The center, which studies how government affects the poor and supports policies that it believes help alleviate poverty, opposes Mr. Bush's tax policies.

The center plans to release its own report on Monday that questions the wisdom of continuing the reduced tax rates on dividends and capital gains, saying the Congressional Budget Office analysis indicates that the benefits flow directly to a relatively few Americans.