

Activity 7: The Ten Chairs

- Trainers Goals:*
- To define and compare the concepts of “wealth” and “income.”
 - To dramatize wealth inequality and the dramatic shift in wealth from 1979 to 2004 for the top one percent.
 - To demonstrate the disparity of wealth distribution by race.
 - To use humor and have fun while learning about a serious topic.

The first part of this activity (see Instruction 1) establishes the difference between wealth and income so that participants will have a solid frame of reference as they experience the dramatic Ten Chairs activity that follows. With a lot of time, the discussion about wealth and income can happen in pairs or small groups first, and then a sample of responses can be shared.

The Ten Chairs activity portrays the distribution of household wealth in the U.S. in 2004 between the top 10% and everyone else, compares the distribution of wealth for the top 1% in 1976 and in 2004, and engages participants in dialogue about wealth inequality. It works best with chairs that do not have armrests. The chairs can be lined up across the front of the room facing the participants, prior to the start of the activity. Each chair represents ten percent of all the private wealth in the United States. Each of ten volunteer participants represents ten percent of the population of the U.S. It is helpful to identify one person who is willing to represent the “top ten percent” who may have a sense of humor or theatrical qualities (i.e., a “ham”). This activity strives for dialogue between the trainer and the volunteers in their roles as well as dialogue and reflection among all the participants. Remember to encourage a round of applause for all the volunteers at the end of this activity.

- Instructions:*
- Listen to this standard (economist’s) definition of wealth [see the first Q & A in the box below]. Name examples of assets that low-income, middle-income, and upper-income people might have. [The trainer can note that there are other ways to view wealth, and participants can be asked to share alternative definitions, e.g., “a person can be considered rich in education, experience, influence, children, etc.”]

What is Wealth?

Question: How is wealth different than income? What is wealth?

Answers: Wealth is private assets minus liabilities (debt). Simply put, wealth is **what you own** minus **what you owe**. Income is your paycheck or government benefit check or dividend check, or your profit from selling an investment. Wealth is what you have in the bank and the property you own.

Question: Is it possible to have negative wealth?

Answer: Yes. Seventeen percent of the population in 2004 have no assets or they have negative assets: they owe more than they own.

Question: What are examples of assets that lower-income people might have?

Answer: Cash (savings or checking account), furniture, a car.

Question: What are examples of assets owned by middle-income people?

Answer: Cash (savings or checking account), equity in a house, a small business, a little bit of stock and/or a retirement fund.

Question: What are examples of assets owned by the top one percent?

Answer: Real estate, large stock and bond holdings, businesses, paintings and other collectibles.

2. Let's have ten volunteers stand in front of one of the chairs. We need one person who is willing to be the "top ten percent." [Remember to try and select a person who is a bit of a ham.] Each person represents one-tenth of the US population and each chair represents one-tenth of all the private material wealth in the United States. If wealth were evenly distributed this is what it would look like—one person, one chair. [One variation is to have each person sit in a chair while the trainer makes the point that this picture of equal wealth distribution has never existed. When folks have to give up their chairs it ups the emotional punch of the activity.]



3. Currently (the most up-to-date data we have is for 2004), the top 10% owns 71% of all private wealth. The volunteer representing the top 10% takes over seven chairs "evicting" the current occupants and making her/himself comfortable on their expanded share of the wealth pie. The rest of the volunteers (representing 90% of the U.S. population) must share three chairs (or about 30% of the wealth pie).

[This may require some shepherding and encouragement. Groups less familiar with one another will cluster sitting and standing around the chairs.]



4. Even within the top 10% there is great disparity — a disparity that has increased significantly over the last 25 years. In 1976 the share of the top 1% was 22% (about 2 chairs). But by 2004, their share had increased to over 34% of all wealth (three and a half chairs)! That's as big a piece of the wealth pie as the bottom 90% have combined! [To illustrate this, the trainer can let the arm of the volunteer representing the top 10% represent the wealthiest 1% of the households or you can use a top hat or other item of ostentatious wealth.]



5. Notice the circumstances you are in and your own feelings about this. How are you feeling at the top? How about in the bottom 90%? If you were going to push someone off the chairs to make room who would it be? Why? What conclusions do you draw about the focus of public policy discussions — looking up the chairs (at the top one percent) or looking down the chairs at the disadvantaged? What questions do you have? [Often folks direct their anger at the person representing the top 10%. Yet in reality this group remains largely invisible to the rest while wedges based on race, gender, sexual orientation, age, and class are driven between folks and we all battle each other for more space on the few remaining chairs.]

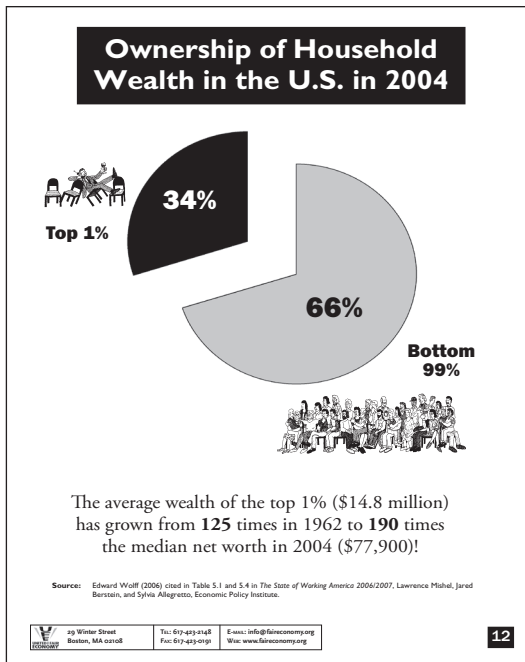


Chart #12: Ownership of Household Wealth

Talking Points

- ◆ Wealth is private assets minus liabilities (debt). Simply put, it is what you own minus what you owe.
- ◆ The shift in wealth (from 1976 to 2004) is an alarming one in so short a time frame (less than 30 years). Although the total wealth “pie” grew, wealth is now more concentrated in the U.S. than at any time since the 1920s.
- ◆ The share of private wealth owned by the top one percent now is more than the bottom 90% of the population combined. In fact, one man, Bill Gates, all by himself, has as much wealth as the bottom 40% of all the households in the U.S.
- ◆ In 1982, the wealthiest 400 individuals in the Forbes 400 owned \$92 billion. In 2004, the net wealth of the 400 richest people in the U.S. increased to more than \$1 trillion!
- ◆ Too much wealth in too few hands fuels speculation from the top, de-stabilizing the jobs and security of many people. Besides, there are only so many race horses, works of art, or face lifts any one person can have. More money in more people’s hands would be a better fuel for the economy. As economist Randy Albelda put it: “Mink coats don't trickle down.”
- ◆ The shift in the ownership of income and wealth — and the changing nature of work — will likely hit the next generation particularly hard. Many young people who grew up in middle class families may never have a standard of living approaching their parents — and therefore will increasingly be dependent on their parent’s savings (equity) to help them build any security. Lower income youth face the prospect of a lifetime of economic insecurity.
- ◆ Wealth begets wealth. The impact of compounding interest multiplies wealth for asset holders.

Talking Points

- ◆ This chart examines the amount of net worth (assets minus liabilities, “what you own minus what you owe”) by race. This includes home-ownership, savings, investments, and all other forms of assets. The chart looks at the “Median Net Worth” or the experience of households in the middle. If we lined up all the white families by net worth, the family in the middle would have \$140,700 in net worth, if vehicles are included. The African American family in the middle would have \$20,600. The Latino family in the middle would have 18,600. White households have nearly seven times as much wealth as African American households and nearly eight times as much wealth as Latino households.
- ◆ There are also vast differences along racial lines when examining households with zero or negative net wealth. For example, in 2004 13% of white households had zero or negative wealth compared to 29.4% of African American households.

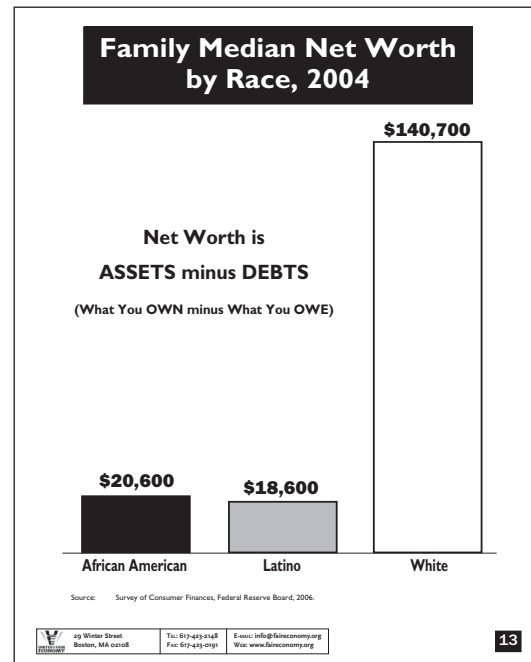


Chart #13: Median Net Worth by Race, 2004

Talking Points

- ◆ The financial markets are where the super rich make most of their money, and since 1980 they’ve made a lot of it. Meanwhile, many families that work for a living are struggling.

We notice that when the stock market is rising, spokespersons for business (such as *Business Week*) extol the “people’s capitalism” that supposedly helps everyone. But when the market falters, as it did in the autumn of 2007, these same voices say: “Don’t worry. The middle class isn’t really hurting because they don’t own much stock.” Well, which is it?

Stocks & Bonds

A *stock* is a share of ownership of a business such as General Motors or Microsoft.

A *bond* is like an I.O.U. When you buy a bond, you are loaning money that will be paid back to you with interest, either a little at a time or all at once when you redeem the bond. Well-known federal government bonds include Savings Bonds and Treasury Bills. Local governments and corporations also issue bonds.

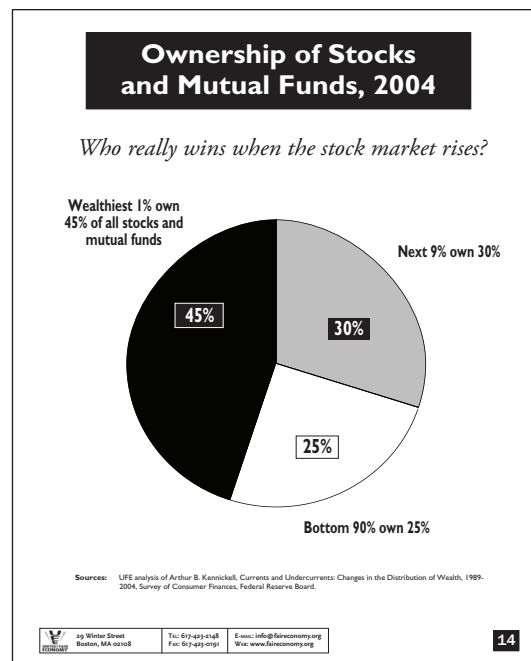
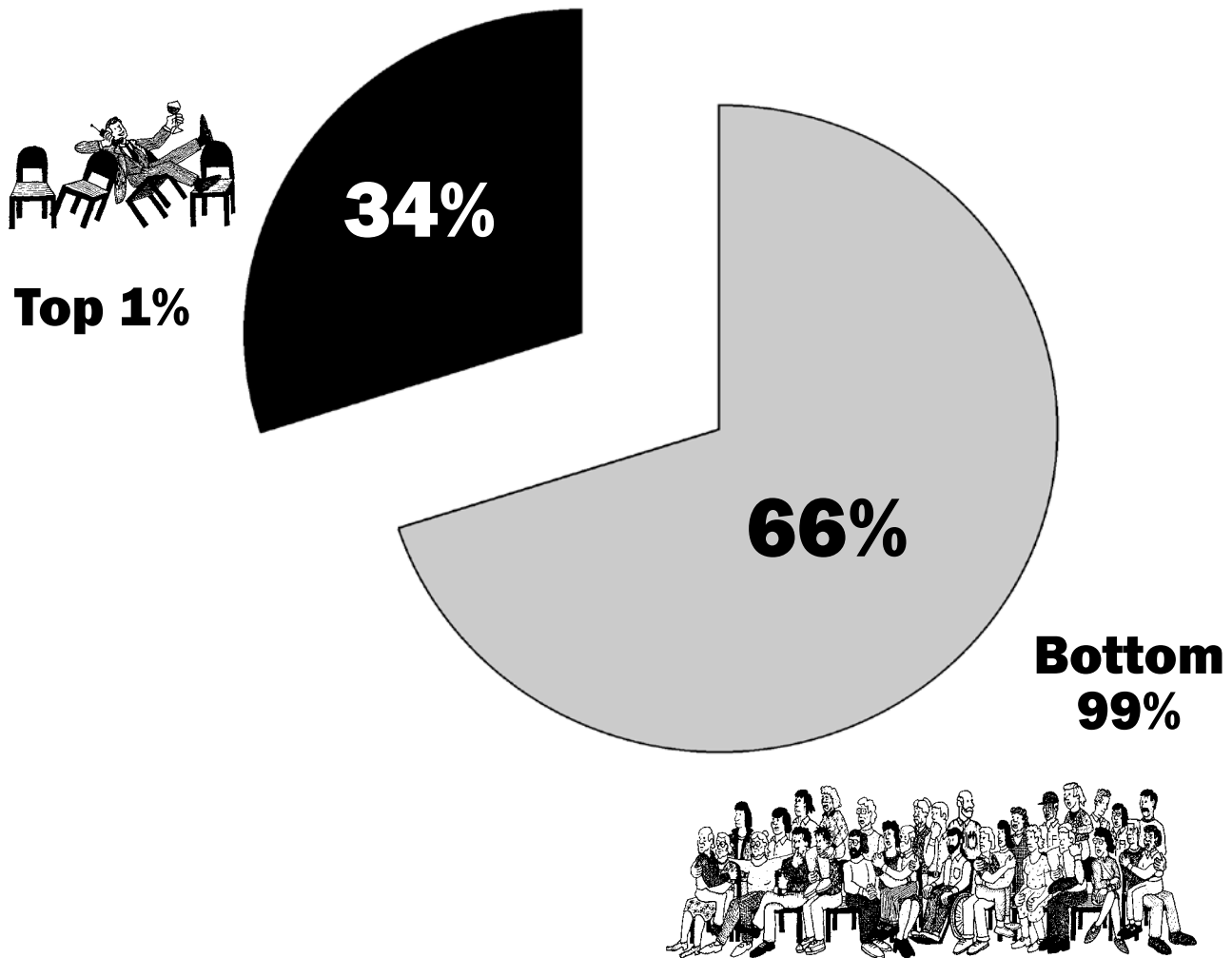


Chart #14: Ownership of Stocks & Mutual Funds

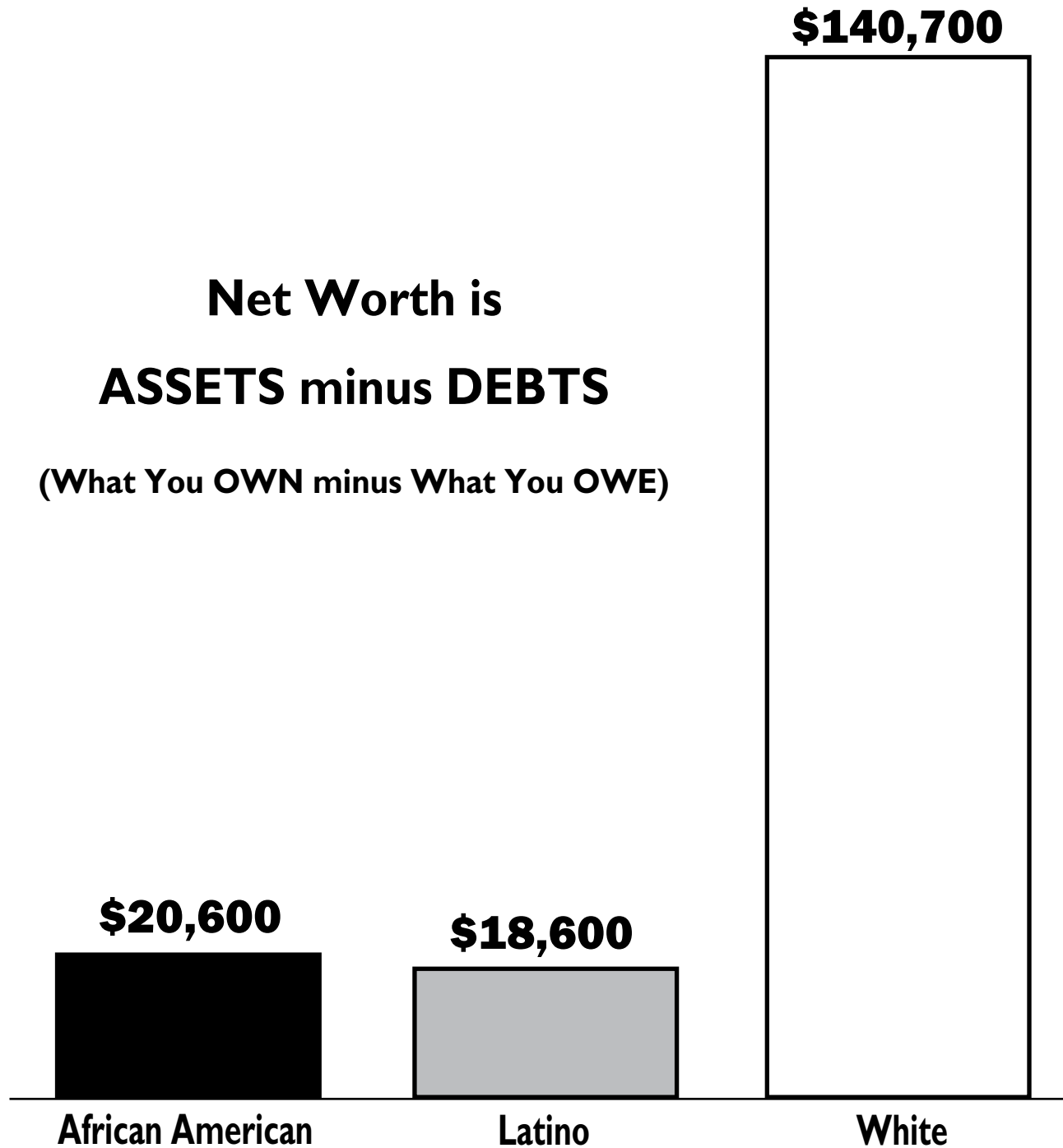
Ownership of Household Wealth in the U.S. in 2007



The total net worth of the top 1% = \$21.9 Trillion
The total net worth of the bottom 90% = \$18.4 Trillion

Source: *Ponds and Streams: Wealth and Income in the U.S., 1989 to 2007* by Arthur B. Kennickell, Federal Reserve Board <<http://www.federalreserve.gov/pubs/feds/2009/200913/200913pap.pdf>>.

Family Median Net Worth by Race, 2004

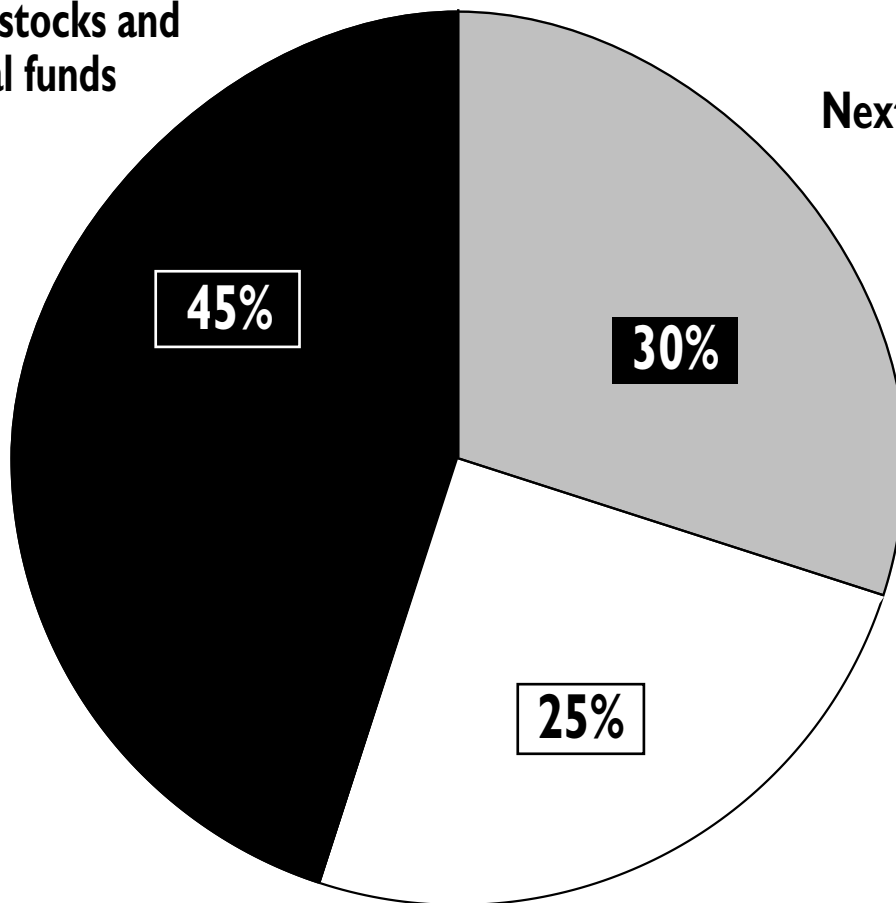


Source: Survey of Consumer Finances, Federal Reserve Board, 2006.

Ownership of Stocks and Mutual Funds, 2004

Who really wins when the stock market rises?

**Wealthiest 1% own
45% of all stocks and
mutual funds**



Next 9% own 30%

Bottom 90% own 25%

Sources: UFE analysis of Arthur B. Kennickell, *Currents and Undercurrents: Changes in the Distribution of Wealth, 1989-2004*, Survey of Consumer Finances, Federal Reserve Board.