

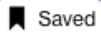
Businessweek
Buying Power

Rich People Are Firing a Cash Cannon at the US Economy—But at What Cost?

Industries get recalibrated, economic signals get crossed and the social fabric begins to fray.

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Over the past few years, I have fielded versions of the same question from readers again and again: Who, exactly, is buying all of this stuff?

The confusion is fair. Recent economic headlines do not add up to a coherent picture: Since 2020, Americans have spent lavishly on discretionary goods and services, even as the cost of necessities has soared. Consumer debt has ballooned right along with prices, and Americans are now defaulting on their credit cards at rates unseen since the Great Recession. Wages growth has been strong, but inflation has thwarted its ability to help most Americans get ahead. So who's booking all those first-class airline seats and tables at fancy restaurants? Why are tickets for concerts and major sporting events so expensive and also so sold out?

A recent analysis of consumer spending from Moody's Analytics, first covered in the *Wall Street Journal*, provides an answer: Rich people really are just firing a cash cannon into the consumer market. The wealthiest 10% of American households—those making more than \$250,000 a year, roughly—are now responsible for half of all US consumer spending and at least a third of the country's gross domestic product. If you keep that in mind, a lot of strange things start to make more sense—sometimes distressingly so.

That high earners spend disproportionately large amounts of money on discretionary purchases is not a new phenomenon. But the disconnect between this group's buying habits and those of the rest of the country has become more extreme in recent years. In the 1990s, spending by top-decile earners usually constituted a third or so of annual consumer spending overall. Now, their spending constitutes the largest share of the consumer economy in data going back to 1989.

