

Trends in Household Wealth in the United States, 1962-1983 and 1983-1989

Edward N. Wolff\*

January, 1994

Abstract. Using the 1983 and 1989 Surveys of Consumer Finances, I find evidence of sharply increasing household wealth inequality over this period. Whereas mean wealth increased by 23 percent in real terms, median wealth grew by only 8 percent. The share of the top one half percentile rose by five percentage points, while the wealth of the bottom two quintiles showed an absolute decline. The Gini coefficient increased from 0.80 to 0.84. Almost all the growth in real wealth accrued to the top 20 percent of wealthholders. In contrast, the degree of wealth inequality was almost identical in 1983 as in 1962, and real wealth growth was more evenly distributed across the wealth distribution. There is also evidence that the sharp increase in wealth inequality from 1983 to 1989 was due to a correspondingly sharp rise in income inequality, the increase of stock prices relative to housing prices, and relatively slow inflation.

JEL CODES: D31, J14, J15

KEYWORDS: Wealth, Inequality, Demographics

\* New York University.

I would like to thank Richard Ruggles for his excellent comments on the paper. I would also like to gratefully acknowledge the financial support provided by the Economic Policy Institute and the C.V. Starr Center for Applied Economics at New York University.