

Wealth Inequality: Long-Term Trends and the Long Recession

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Why Wealth?

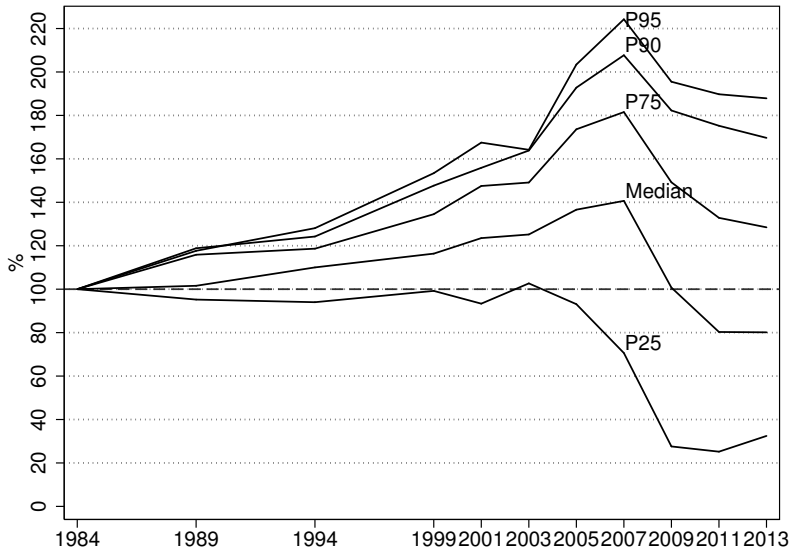
- ▶ Unique effects of wealth on individuals and families
 - ▶ Consumption
 - ▶ Insurance
- ▶ Particularly high degree of inequality

Data & Measures

Panel Study of Income Dynamics (PSID)

- ▶ Nationally representative household panel (since 1968)
 - ▶ Allows cross-sectional & longitudinal analyses
 - ▶ Detailed wealth data collected since 1984
 - ▶ High validity of wealth data (up to ~98th percentile)
- ▶ Household net worth measures = sum of
 - ▶ Home equity (home value - mortgages)
 - ▶ Financial assets (checking, savings, stocks, mutual funds, etc.)
 - ▶ Real assets (business, farm, vehicle)
 - ▶ Retirement assets (annuities, IRA)
 - ▶ Debt (credit card, student loan, medical, etc.)

Changes in the Wealth Structure

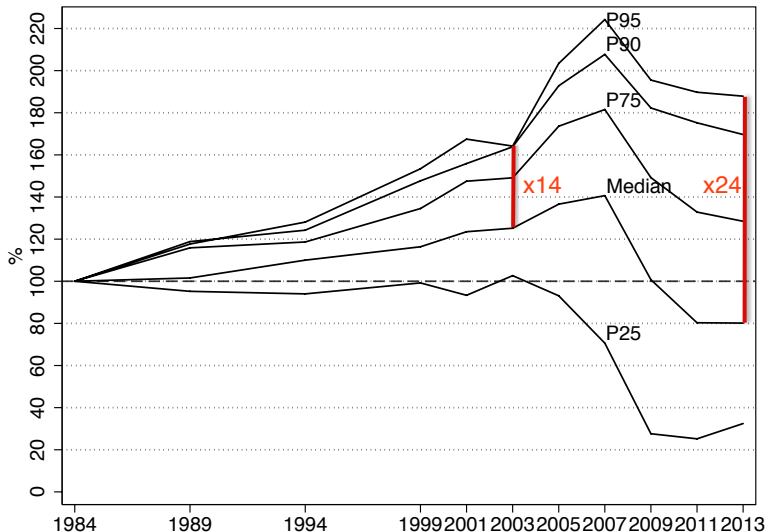


Large declines in median net worth during the recession

- ▶ A third lower than 10 years ago
- ▶ 20% below level in the 1980s

Declines were distributed very unevenly

- ▶ Those with less wealth lost more in relative terms
- ▶ By some measures, inequality nearly doubled in last 10 years



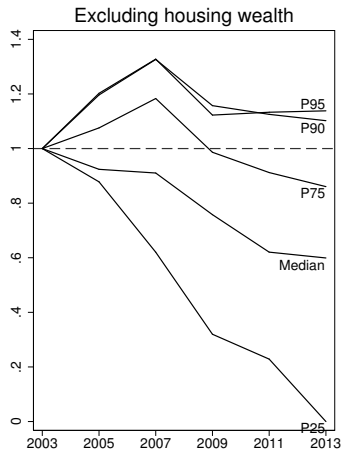
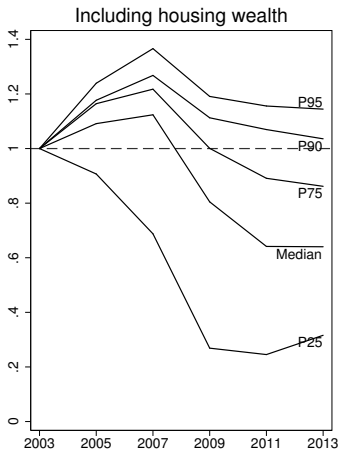
Increasing indebtedness at the bottom

Table : Changes in Net Worth (in 2013-\$)

	2003	2007	2013	Loss 2003-2013	
				Δ	%
5th	-9,749	-13,482	-27,416	-17,667	(181%)
25th	10,129	6,966	3,200	-6,929	-68%
Median	87,992	98,872	56,335	-31,657	-36%
75th	302,221	367,959	260,405	-41,817	-14%
90th	736,853	934,223	763,099	26,246	4%
95th	1,192,639	1,629,133	1,364,834	172,196	14%

Wealth declines before the recession

Percentage Changes in Net Worth



Wealth Mobility (since 2007)

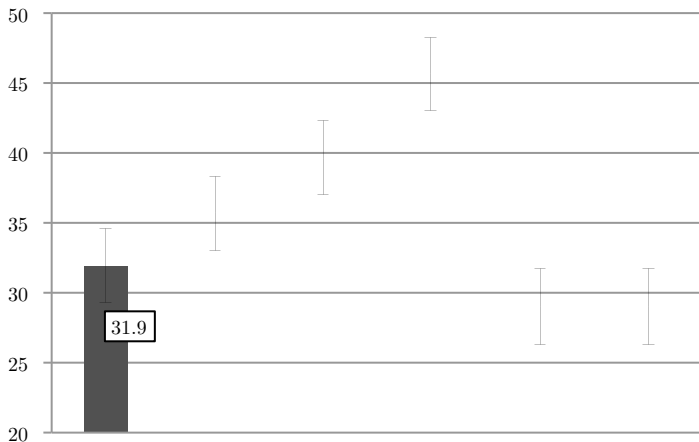
Incidence of losses & gains

Table : Incidence of Losses and Gains

Gained at least 10%	32%
Changed by less than 10%	10%
Lost 10%-100%	49%
Feel into debt	9%

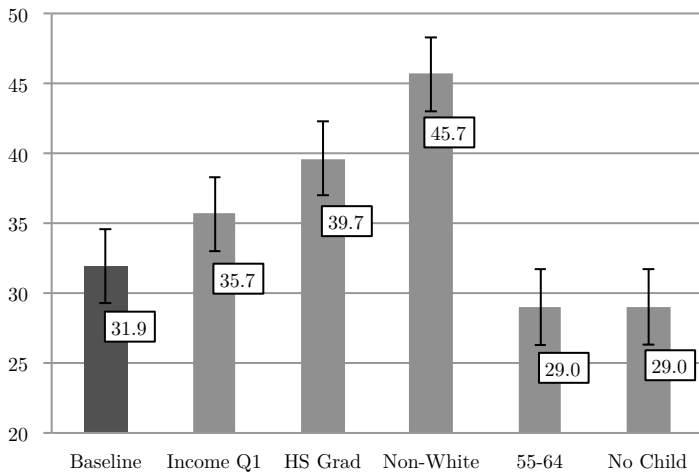
Who lost?

Predicted % loss for hh with children in the middle income & wealth quintile with a white, married, college-educated head aged 35-54



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Movements across the wealth hierarchy

Net Worth 2007	Net Worth 2011					
	Lowest	2nd	3rd	4th	High.	
Lowest quintile	60	30	7	2	1	100.0
2nd quintile	26	44	25	5	1	100.0
3rd quintile	12	18	44	22	3	100.0
4th quintile	6	8	20	49	18	100.0
Highest quintile	2	1	5	18	73	100.0

Summary

- ▶ Profound changes in the wealth structure
 - ▶ Typical household worth a third less compared to 2003
 - ▶ Top of distribution [*much*] higher compared to 2003 [*1980s*]
 - ▶ Greatly increasing levels of indebtedness

Summary

- ▶ Profound changes in the wealth structure
 - ▶ Typical household worth a third less compared to 2003
 - ▶ Top of distribution [*much*] higher compared to 2003 [*1980s*]
 - ▶ Greatly increasing levels of indebtedness
- ▶ Movement of households across the distribution
 - ▶ Half of all households lost more than 10% of net worth
 - ▶ 9% of households fell into debt
 - ▶ Disadvantaged groups, esp. non-whites, suffered largest losses
 - ▶ Low mobility across the wealth hierarchy (esp. top & bottom)

THANK YOU

More details can be found here

- ▶ Pfeffer/Danziger/Schoeni. 2013. "Wealth Disparities Before and After the Great Recession." *Annals of the American Academy of Political and Social Science* 650(1):98–123
- ▶ Pfeffer/Danziger/Schoeni. 2014. "Wealth Levels, Wealth Inequality, and the Great Recession." *Russell Sage Foundation Research Summary*

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Housing & Stock Market Trends

