# Wealth inequality doubles among US households

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Wealth inequality among U.S. households roughly doubled between 2003 and 2013, according to a new analysis by University of Michigan researchers.

"American families experienced significant losses in wealth during the Great Recession, and these losses were distributed very unequally," said Fabian Pfeffer, assistant research professor at the U-M Institute for Social Research.

In 2003, households at the top 5th percentile of wealth had 13 times more wealth than the median household, according to the analysis. By 2013, this gap nearly doubled to 24 times as much wealth.

While households at the top lost large amounts of wealth during the recession, those at the bottom of the wealth distribution lost the largest share of their total wealth.

Pfeffer and U-M colleagues Sheldon Danziger and Robert Schoeni analyzed nationally representative data from the Panel Study of Income Dynamics, which includes detailed data on the economic well-being of U.S. households, including their financial wealth, home wealth and debts.

Leading up to the Great Recession, families in the middle of the wealth distribution (the median) increased their net worth (the sum of all assets minus debts) from about $88,000 in 2003 to $99,000 in 2007, the researchers found. But increases in wealth among families above the median were substantially greater. Net worth among families at the 75th percentile grew by more than $65,000, for example, and by more than $436,000 among those at the 95th percentile.

After the Great Recession, wealth decreased at all points in the distribution. But by 2013, wealth among households at or above the 95th percentile was still higher than it was in 2003. In contrast, at all lower points of the wealth distribution, net worth was lower than in 2003. In fact, by 2013, the net worth of the typical U.S. household was 20 percent below where it was in the mid-1980s. And the net worth at the 25th percentile fell by more than 60 percent.

"While stock prices rebounded relatively quickly after the 2007 collapse, housing prices did not," Pfeffer said.

This contributed to the increase in wealth inequality, since the most affluent households typically have proportionally more of their wealth in stocks than in housing.

"The American economy has experienced rising income and wealth inequality for several decades, and there is little evidence that these trends are likely to reverse in the near term," Pfeffer said. "It is possible that the very slow recovery from the Great Recession will continue to generate increased wealth inequality in the coming years as those hardest hit may still be drawing down the few assets they have left to cover current consumption and the housing market continues to grow at a modest pace."

The study, "Wealth Levels, Wealth Inequality and the Great Recession," was posted by the Russell Sage Foundation and the Stanford Center on Inequality and Poverty.

**More information:** The study, "Wealth Levels, Wealth Inequality and the Great Recession" is available online: web.stanford.edu/group/scspi/_ … ni_wealth-levels.pdf

Provided by University of Michigan