Private wealth / national income ratios, 1970-2010

Authors' computations using country national accounts. Private wealth = non-financial assets + financial assets - financial liabilities (household & non-profit sectors)

Source: Piketty and Zucman '13
Authors' computations using country national accounts. Private wealth = non-financial assets + financial assets - financial liabilities (household & non-profit sectors)

Source: Piketty and Zucman '13
The changing nature of national wealth, France 1700-2010

National wealth = agricultural land + housing + other domestic capital goods + net foreign assets

The changing nature of national wealth, US 1770-2010 (incl. slaves)

National wealth = agricultural land + housing + other domestic capital goods + net foreign assets

Source: Piketty and Zucman '13
agreed that such redistribution should take the form of moving wealth from the top quintile to the bottom three quintiles. In short, although Americans tend to be relatively more favorable toward economic inequality than members of other countries (Osberg & Smeeding, 2006), Americans' consensus about the ideal distribution of wealth within the United States

Fig. 2. The actual United States wealth distribution plotted against the estimated and ideal distributions across all respondents. Because of their small percentage share of total wealth, both the “4th 20%” value (0.2%) and the “Bottom 20%” value (0.1%) are not visible in the “Actual” distribution.
Inherited wealth represents 80-90% of total wealth in France in the 19th century; this share fell to 40%-50% during the 20th century, and might return to 80%-90% during the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c

Source: Piketty (2014)
Besides the income tax, the government can also level the playing field with the federal estate tax.

The Federal Estate Tax (also known as the Death Tax) applies when a deceased person leaves more than $5 million in wealth to his or her heirs. Wealth left to a spouse or charitable organizations is exempt from estate tax.

Only 1 person out of 1000 is wealthy enough to face the estate tax.

Average Americans do not have anything close to $5 million in wealth, so the estate tax does not affect them and they can pass on their property to their children tax-free.

Eliminating the estate tax would allow the very richest families to pass down all of their wealth to their children tax-free. Hence, children of rich people would also start off very rich themselves.

Increasing the estate tax is a way to level the playing field between the children of wealthy parents and children of middle-class parents.
Figure 10.5. Wealth inequality in the U.S., 1810-2010

The top 10% wealth holders own about 80% of total wealth in 1910, and 75% today.

Sources and series: see piketty.pse.ens.fr/capital21c.

Source: Piketty (2014)
Until the mid 20th century, wealth inequality was higher in Europe than in the United States.

Sources and series: see piketty.pse.ens.fr/capital21c.

Source: Piketty (2014)
Figure 10.10. After tax rate of return vs. growth rate at the world level, from Antiquity until 2100

The rate of return to capital (after tax and capital losses) fell below the growth rate during the 20th century, and may again surpass it in the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c

Source: Piketty (2014)
Bottom 90% wealth share in the United States, 1917-2012
Composition of the bottom 90% wealth share

- **Pensions**
- **Business assets**
- **Equities & fixed claims (net of non-mortgage debt)**
- **Housing (net of mortgages)**

% of total household wealth

- 1917
- 1922
- 1927
- 1932
- 1937
- 1942
- 1947
- 1952
- 1957
- 1962
- 1967
- 1972
- 1977
- 1982
- 1987
- 1992
- 1997
- 2002
- 2007
- 2012
This figure depicts the share of total household wealth held by the 1% richest families, as estimated by capitalizing income tax returns. Source: Saez and Zucman (2014).
Real average wealth of bottom 90% and top 1% families

Real values are obtained by using the GDP deflator, 2010 dollars. Source: Appendix Tables B3.
The composition of capital income in the U.S., 1913-2013

- Housing rents (net of mortgages)
- Noncorporate business profits
- Corporate profits
- Profits & interest paid to pensions

Source: Saez and Zucman '14
The composition of household wealth in the U.S., 1913-2013

This figure depicts the evolution of the ratio of total household wealth to national income. This ratio has followed a U-shaped evolution and the composition of wealth has changed markedly since 1913. Source: Appendix Table A1.
Top 0.1% wealth share in the United States, 1913-2012

This figure depicts the share of total household wealth held by the 0.1% richest families, as estimated by capitalizing income tax returns. In 2012, the top 0.1% includes about 160,000 families with net wealth above $20.6 million. Source: Appendix Table B1.
Saving rates by wealth class (decennial averages)

% of each group’s total primary income

-15% -10% -5% 0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50% 55%


Top 1%
Top 10 to 1%
Bottom 90%
Life cycle savings and taxes theory

Indifference curves $u(c_1, c_2) = \text{constant}$

Utility maximizing choice

Budget line slope $-(1+r)$

$c_2$ consumption while old

$c_2^*$

$w(1+r)$

$c_1$ consumption while young

$s^*$: savings

$0$
Life cycle savings and taxes theory

\[ w(1+r) \]

\[ c_2 \] consumption while old

\[ w(1+r(1-\tau)) \]

\[ c_2^* \]

Introducing tax on savings

\[ s^* : \text{savings} \]

\[ w \]

\[ c_1 \] consumption while young
Life cycle savings and taxes theory

Substitution effect: \( c_1 \) up, \( s \) down, \( c_2 \) up

Income effect: \( c_1 \) down, \( s \) up, \( c_2 \) down

Net effect: \( c_1 \) and \( s \) ambiguous, \( c_2 \) down

\[ w(1+r(1-\tau)) \]

\[ w(1+r) \]