**Definitions, Measurement, and Data.** If income can be thought of as a flow, then wealth a stock. Wealth is generally defined as the value of assets minus the value of liabilities, but is difficult to measure, primarily because of its cumulative nature, the cumulative effect of income on wealth, and the endogeneity of many common control variables, like marital status, neighborhood context, and age. Modeling wealth accumulation, averaging income, or using lagged dependent variables are ways around requiring lifetime histories of co-variates. Additionally, operationalizing an error-prone, highly skewed variable like wealth requires other methodological considerations like using median regression, top coding, log transformations, and inverse hyperbolic sine transformations. Killewald, Pfeffer, and Schachner (2017) have different suggestions of how to handle wealth if it is a dependent or independent variable and argue that SCF is the benchmark, but the PSID and the HRS also compare favorably. [[1]](#footnote-1) While data sources have drastically improved over the years, they are not particularly useful for spatial analysis.

**General Trends of Wealth Holdings.** Across countries, wealth inequality has followed a U-shape trend—higher in the earlier part of the 1900s, lower in the middle, and recently having risen in the late 1970s and early 1980s. Piketty and Saez argue that wealth inequality fell as a result of the devastating asset destruction and shocks of the world wars, high marginal and estate taxes, and the large skill investments that spurred growth. They attribute recent rises to rates of return on capital outstripping economic growth (r>g). Between 2001 and 2013, the wealth shares of the top 1% grew from 32% to 36%. Between those year, the ratio of wealth of the top 95th percentile to the median grew from 15:1 to 23:1, while the ratio of the median to the 25th percentile only grew from 7:1 to 9:1 (Killewald et al. 2017). In other words, the top grew much more than the middle. While median wealth was devastated from the Great Recession of 2007, mean wealth nearly doubled, suggesting that wealth accumulation for those at the top was not as negatively affected by the crash. This is most like due to the fact that those with more wealth have more diverse means of accumulating wealth—i.e., stocks, bonds, other real estate investments—and are therefore more insulated from negative economic shocks. In terms of negative wealth, the median debt more than doubled from $27,800 in 1992 to $60,400 in 2013.

**Racial Disparities and Wealth.** The big takeaway from Oliver and Shapiro’s *Black Wealth/White Wealth* is that despite the opportunities opened for blacks from the civil rights movement, there persists an abnormally large inequality gap between whites and blacks. They argue that since whites do not save a higher rate than blacks, the reasons for this gap are structural. Whites have better access to mortgages and loans to buy homes which appreciate at higher rates, which allows them to leave more wealth to their child. In essence, their work shows how inequality of outcome leads to inequity of opportunity for the next generation. Another important takeaway is that while policies help to alleviate wealth and income inequality, they can also help to exacerbate it. They argue that the mortgage interest tax deduction is more likely to help white homeowners and allow them to build wealth, poor enforcement of anti-discrimination laws has led to unequal housing appreciation rates and segregation, and high-income taxes are more likely to tax the incomes of blacks while whites will enjoy lower capital gains and inheritance taxes on their wealth transfers.

**Vulnerable Populations and Wealth.** Gibson**-**Davis and Percheski (2018) explore the wealth inequality between the US’s most (potentially) vulnerable populations—elderly and households with children. Although the life-cycle model predicts that elderly households should have more wealth than households with children, it should follow that the relationship would be constant. They find there to be not only widening between group wealth inequality, but also a widening gap within child household inequality, both of which are not explained by demographic change alone. Most striking was that the gains for child households were concentrated in the top 10% and losses concentrated in bottom 50%. The top 1% of child household accounted for 42% of all wealth among those households, holding approximately $2.5 million in wealth for each child in 2013. Gibson**-**Davis and Percheski argue that this was due in large part to divergent trends among groups as well as asset and debt composition: the elderly saw increases in asset appreciation, homeownership rates, home equity returns, and held lower debts, while child households saw no change in homeownership, decreases in equity, less stable incomes, and large increases in debt, especially educational debt. This research convincingly demonstrates that the outcomes of today affect not only the opportunities of tomorrow’s generation, but also their outcomes. As a result, current child households lack sufficient assets to promote the successful flourishing of the next generation.

**Homeownership and Wealth.** Since homeownership is the largest component of wealth, especially for low-income households, there is a large literature about the benefits of homeownership: it is a highly leveraged asset whose value outstrips inflation, forced saving, elicits outsized tax deductions, and hedges against future rent inflation. However, surprisingly, there is very little research about the effect of homeownership on wealth accumulation. Three recent studies quantify that effect. Di et. al.(2007) found that the average net wealth of owners was $12,000 more than their renting counterparts, controlling for wealth at the beginning of the study period and other factors. Moreover, they found that non-Hispanic blacks ended the study period with less wealth, that wealth generation from homeownership was non-linear, and that homeownership helps to build non-housing wealth.

Killewald and Bryan (2016) build on their work using marginal structural models, which they argue do not control away the benefits of homeownership on other pathways, like marriage, and argue that their results are lower but more reliable. They find an average median gain of $6,787 per year of homeownership towards net worth that varies by race: $7,602 for whites, $4,684 for Hispanics, and $3,645 for blacks. Tuner and Leau find higher average gains (about $13,700) using less sophisticated methods but show that the impact on wealth accumulation varies by income status. Contrary to the literature suggesting low correlations between income and wealth, they find that low-moderate income households increase wealth anywhere from $6,000 to $10,000 per year of homeownership as opposed to over $15,000 for high income households. To me this is interesting because it suggests that, at least through a vehicle like homeownership, income status can contribute to higher wealth accumulation.

The Great Recession of 2007 to 2011 greatly reduced wealth holdings in the US. While large absolute amounts of wealth were destroyed at the top of the wealth distribution, households at the bottom lost the largest shares. Pfeffer, Danziger, and Schoeni (2013) find that the most disadvantaged groups (nonwhites, young adults, the less educated) experienced the greatest relative wealth losses and were the most likely to have fallen into debt. The implication is that while there were losses across the board, those losses were not equally distributed, and the negative economic shock of the Great Recession contributed to an increase in wealth inequality. This is evident by the fact that the Gini coefficient increased by 10% from 2007 to 2011 and the ratio of wealth holdings from the 95th to 25th percentiles increased six-fold from 2003 to 2011.

**Transmission of Wealth Inequality.** There has been very little research on the transmission of wealth between generations, mostly because there is not great data. Unlike occupation and education, wealth can be directly transferred to children. Reasons for wealth transfer are classified as either altruistic—because parents care about the well-being of their children—or exchange-based—parents reward their children for phone calls or time spent. Research on intergeneration transfers is also complicated by how transfers are made (inheritance or *inter* *vivos* transfers) and by family structure (has the child established their own household). Estate and inheritance taxes range from 37% to 55% after an exclusion of $650,000, but they are hard to enforce and so many people take advantage of loopholes.

**Questions/Need for Clarity**

* Not sure that I understand how Killewald and Bryan use of marginal structural models to retain the effects of homeownership on endogenous variables like marriage.
* There was not much research on the effects of space and wealth accumulation. Most of the homeownership research only controlled for region of the US, which is not nearly granular enough to understand or control for housing markets affect home value.
* How might my dissertation incorporate wealth data to examine longitudinal affordability of middle-class neighborhoods?

1. Survey of Consumer Finances (SCF), Panel Study of Income Dynamics (PSID), and Health and Retirement Study (HRS) [↑](#footnote-ref-1)