Wealth Inequality and Wealth Mobility in the United States

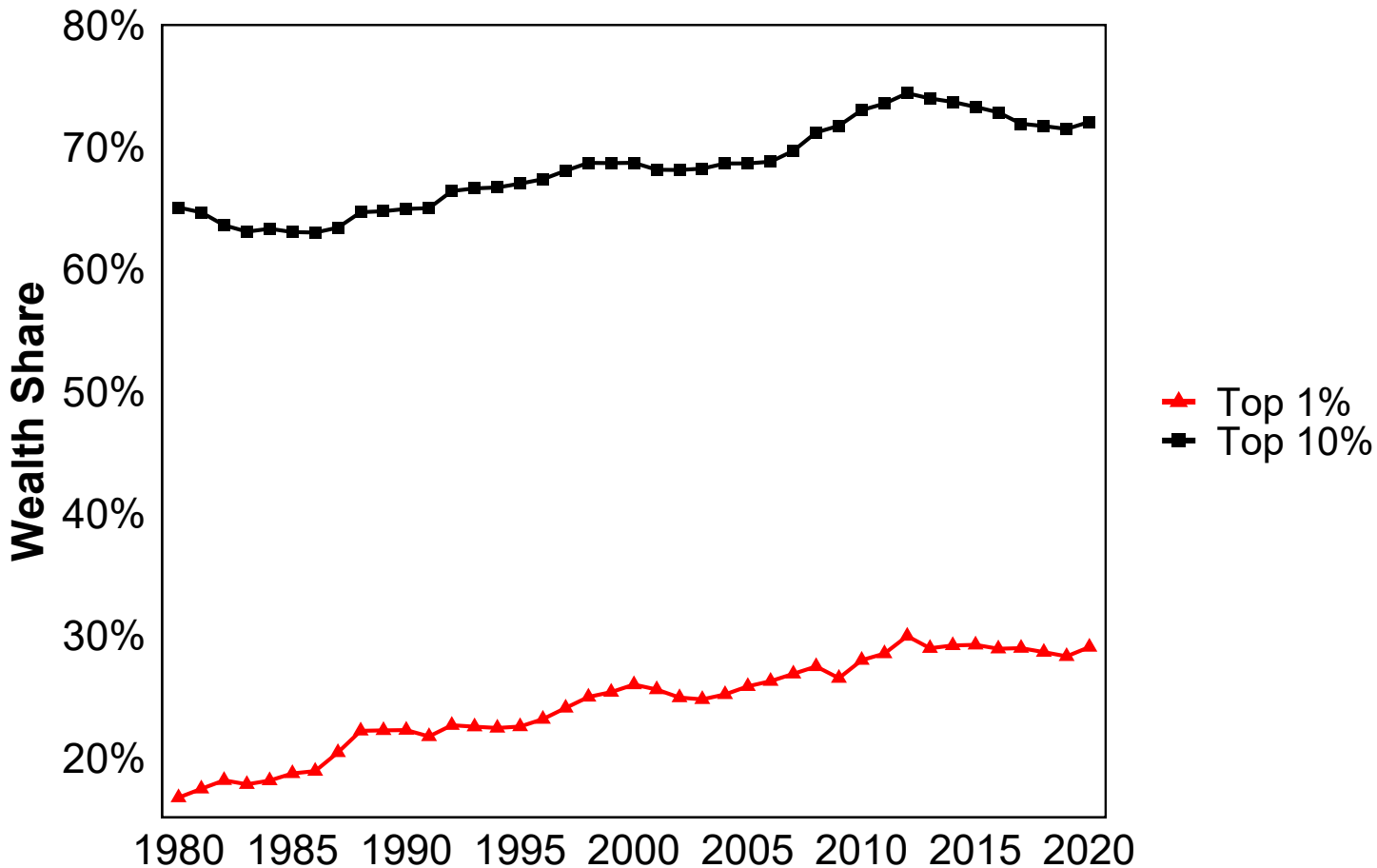
Christophe Van Langenhove

14 August, 2025

Introduction

Setting

Wealth is unevenly distributed in the U.S. Moreover, U.S. wealth inequality has increased significantly since the 1980s, especially at the tail of the wealth distribution.



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Aiyagari-Bewley-Huggett (ABH) models: by introducing a realistic, empirically-driven degree of heterogeneity in these variables, ABH-models aim to replicate the U.S. wealth distribution

However, the ABH-literature faces two key shortcomings, which my PhD dissertation aims to address

ABH-models: two shortcomings

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2. Is the U.S. likely returning to a Gilded Age era (late 19th century), as predicted by Thomas Piketty?

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Why is the distinction between type dependence versus scale dependence relevant (among other reasons)?

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2. Wealth mobility: mobility is higher when type dependence is present and time-varying

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- ... or a method to estimate the type- and scale-dependent parameters of an ABH-model

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1. Empirical evidence on U.S. wealth mobility
2. Empirical evidence on U.S. saving rate heterogeneity
3. Theoretical model with type and scale dependence

Chapter 1 – Empirical evidence on U.S. wealth mobility

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- Compute empirical wealth mobility moments that are useful calibration targets for ABH-models
- Provide insight into two research questions (as discussed on next slides)

Time trend of U.S. inter-generational wealth mobility?

Inter-generational wealth mobility over two generations in the U.S. has declined over time.

Variable	Stage	1946–55	1956–65	1966–75	1976–85	1986–95	Pooled
$\hat{\kappa}^{\Omega}$	30–34	-	0.39	0.39	0.38	0.40	0.39
			(0.03)	(0.02)	(0.02)	(0.03)	(0.01)
	35–39	-	0.38	0.44	0.45	-	0.43
			(0.03)	(0.02)	(0.02)		(0.01)
	40–44	0.43	0.37	0.43	0.51	-	0.43
		(0.04)	(0.02)	(0.02)	(0.03)		(0.01)
	45–49	0.48	0.44	0.47	-	-	0.46
		(0.03)	(0.02)	(0.03)			(0.02)
	50–54	0.42	0.41	-	-	-	0.44
		(0.03)	(0.02)				(0.02)
	55–59	0.48	0.46	-	-	-	0.46
		(0.03)	(0.03)				(0.02)

Time trend of U.S. intra-generational wealth mobility?

Intra-generational wealth mobility in the U.S. has declined over time, driven by increased persistence at the top.

Cohort	Poor Groups (%)			Wealthy Groups (%)			β
	Steady	Past	New	Steady	Past	New	
Pooled	9.2	3.8	3.5	4.1	2.9	2.3	0.57
1946–55	9.3	4.2	3.4	3.0	3.4	3.3	0.54
1956–65	9.5	3.2	3.6	4.3	2.8	1.9	0.57
1966–75	8.1	4.7	3.3	5.5	2.1	1.4	0.60

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- Three-generational (grandchild-grandparent) U.S. wealth mobility is lower compared to Denmark and Sweden
- Intra-generational (individual-level) U.S. wealth mobility is significantly lower than in Denmark and Norway

Chapter 2 – Empirical evidence on U.S. saving rate heterogeneity

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- Two methods to compute saving rates across the wealth distribution

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2. Aggregate method: compute a saving rate per wealth decile by using aggregated variables

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Saving Rate out of Labor Income										
Cross-Sectional	-0.13	-0.01	0.00	0.03	0.09	0.13	0.19	0.24	0.44	0.85
Aggregate	-0.05	-0.05	-0.04	-0.04	-0.00	0.04	0.06	0.12	0.29	1.28
Saving Rate out of Wealth										
Cross-Sectional	-0.05	-0.05	0.00	0.05	0.11	0.10	0.09	0.08	0.09	0.10
Aggregate	-0.05	-0.05	-0.05	-0.05	0.00	0.04	0.03	0.03	0.06	0.11

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$\rightarrow$ These empirical moments provide useful calibration targets for ABH-models.

Chapter 3 – Theoretical model with type and scale dependence

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- Simulate a set of simplified heterogeneous agent models (without optimization)
- Simulate and do counterfactual exercises on a detailed ABH-model with optimizing households and with entrepreneurs

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	M1	**M2**
Wealth inequality		
Top 10%	0.63	0.63
Wealth mobility		
Short-run β	0.98	0.92
Long-run β	0.84	0.57

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- Taxation and return heterogeneity have little effect, possibly due to model assumptions

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3. Are U.S. wealth inequality and wealth mobility always negatively interlinked in a theoretical model?

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- For labor income inequality and saving ratio scale dependence, the magnitude of the effect is strong
- For saving ratio type dependence, the impact on wealth mobility is significantly stronger than on wealth inequality
- The nature of the relationship also depends on the modeling of and presence of entrepreneurs

Conclusion

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2. Saving rates increase with wealth (ranks), although the magnitude of the effect depends on the saving rate considered
3. Allowing for type dependence in ABH-models is critical to match empirical U.S. wealth mobility outcomes
4. Labor income inequality and saving ratio heterogeneity are the key driving forces behind wealth rank persistence
5. In general, there exists a negative relationship between wealth inequality and wealth mobility in ABH-models

Societal & policy implications

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- The simultaneous rise in U.S. wealth inequality and decline in U.S. wealth mobility suggests that a return to a Gilded Age period is not a dystopian scenario, but an actual possibility
- What about Europe? Generalization is difficult: (1) wealth inequality is lower in Europe, and (2) no extensive panel data is available to estimate wealth mobility

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