Patience, Parental Wealth & Wealth Inequality

Thomas Epper, Ernst Fehr, Helga Fehr-Duda, Claus Thustrup Kreiner, David Dreyer Lassen, Søren Leth-Petersen, Gregers Nytoft Rasmussen
Wealth is very unevenly distributed?

Wealth inequality in Europe and the United States, 1870–2010

Share of top wealth decile in total net wealth

Top 10% wealth share: Europe

Top 10% wealth share: U.S.
Questions

- How is wealth distributed in the remaining population?
- Why is this important to know?
- How important is patience, education, parental wealth for an individuals’ position in the wealth distribution?

Our study based on Danish Data

Precise wealth data/measure of patience
Why is wealth distribution among the less rich important?

- If wealth were evenly distributed, economic recessions would be much less harmful because
  1. People could avoid reductions in consumption by reducing their savings
  2. Recessions would be much less self-reinforcing because consumption would decline less
    - Wealth inequality helps explain strong collapse of aggregate consumption in the Great Recession
The share of wealth of the bottom 50% (from Jacobsen, Jacobsen, Kleven, Zucman QJE 2020)
How important is patience, education, and parental wealth

(from Epper et al. AER 2020)

Association is quantitatively important
Wealth is very unequally distributed in society – most of the wealth is owned by the top 10% of wealth owners.

But wealth distribution among the remaining population has important macroeconomic consequences.
- Wealth inequality aggravates the harmful effects of recessions.

The bottom 50% own relatively little wealth – limited opportunities to compensate income losses during recessions.

Individual differences in patience and education are roughly equally important for wealth inequality.

Parental wealth is twice as important.