

THE DETERMINANTS OF HIGHLY-SKEWED WEALTH DISTRIBUTIONS

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ABSTRACT

It has been observed repeatedly that the distribution of wealth in the United States is highly skewed. Perhaps 35-40 percent of personal wealth is held by the richest 5 percent of individuals. It has also been observed repeatedly that the shape of the distribution is very stable, changing only slightly over many decades. Factors which are often thought to be determinants of wealth acquisition appear to be rather normally distributed, for instance, intelligence, ambition, perseverance, and health. Are there synergetic forces which combine these factors to produce distributions of wealth which are very skewed? Or, do stochastic factors and gaming behavior interact, such that individuals who, by chance, acquire great wealth also acquire the power to reduce the probabilities low-wealth individuals will benefit from the same factors and become wealthy? A simulation model is used to explore a number of models of wealth accumulation. The procedure is to start with an observed or a hypothetical distribution at a dated point in time, to set in motion a number of forces which are believed to influence wealth acquisition over time and, then, to compare the simulated results with subsequent dated, observed distributions of wealth.

*The authors hope to publish this paper at a later date. For more information contact the authors at: Survey Research Center, Institute for Social Research, P.O. Box 1248, University of Michigan, Ann Arbor, Michigan 48106.