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The distribution of wealth has undergone marked changes in the course of American history. This article analyzes and synthesizes work by many economic historians, creating a composite picture of wealth inequality over three centuries, from early colonial times to the twentieth century. It finds, in brief, little change during the colonial era, then a sharp rise in inequality between the Revolution and the Civil War, followed by a high but little-changing concentration of wealth from about 1860 to 1929, giving way to a pronounced decline in concentration through midcentury. From the 1950s to the early 1970s (the latest period covered in this article) there was little change in wealth inequality.

THE DISTRIBUTION OF WEALTH IN COLONIAL AMERICA

There are three competing hypotheses about the trends in inequality in colonial America. Some historians hold that a European class structure and unequal distribution of property were initially exported to America, but that the expanding frontier undercut the European model, creating an egalitarian trend. Others maintain that the frontier initially allowed a very equal distribution of land and other resources, but that economic growth in settled regions then led toward greater inequality.

In contrast to these views, the third hypothesis is best supported by the data: "trends were mixed, but *in the aggregate* colonial inequality was stable at low levels." (14) Inequality did rise in the cities and in some settled agrarian areas, but this was offset by the expansion of newer, more egalitarian rural areas.

There are 29 available local data series on the distribution of wealth in New England and the Middle colonies, with Connecticut and Massachusetts particularly well represented. These data series are drawn from tax and probate records, raising difficult questions about selectivity or bias in reporting (see the original article for detailed treatment of these questions). Some of the data suggest that the 1680s and 1690s were a period of lower inequality than the years before or after; thus comparisons beginning in 1690 or 1700 have sometimes found growing inequality in the colonial period. However, most of the data series that begin before 1680 show little if any change from the earliest years through the mid-1700s.

Two major exceptions to this pattern are the cities of Boston and Philadelphia, where inequality was clearly growing in the colonial period. Yet the importance of these cities should not be

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overstated. Boston accounted for a small and declining share of the population of the New England colonies, as did Philadelphia in the Middle colonies. On balance, rising inequality in the leading colonial cities barely affects the regional averages, which show little change in the share of top wealth holders.

THE FIRST CENTURY OF INDEPENDENCE

The first reliable nationwide wealth estimates are for the thirteen colonies in 1774. These estimates can be compared to data from the 1860 Census, which asked questions about wealth. The comparison shows that there was a sharp rise in inequality in the first century of independence. The top 1% of free adult males held 12% of all assets in 1774, and 29% in 1860; the share of the top 10% rose from 49% in 1774 to 73% in 1860. The Gini ratio for the distribution of total assets among free adult males rose from .632 to .832. Dramatic increases in inequality occurred both in the South and in the rest of the country. The qualitative conclusion – the existence of a strong trend toward inequality – remains valid under a number of possible adjustments for sampling bias or differences between the earlier and later data sources.

Several demographic shifts could have affected the post-independence distribution of wealth. On average, the population aged quite markedly; the percentage of adults in the youngest age groups dropped, while older groups rose in importance. However, average wealth was lowest, and the distribution of wealth was most unequal among the youngest groups of adults. Thus if all else remained equal, the aging of the population should have led to reduced overall inequality, the opposite of the observed trend.

Rising immigration could have led to increased inequality. Immigrants had lower average wealth and a more unequal distribution than did native-born free adults. However, the fragmentary available evidence suggests that the effect was not large. In 1860 the Gini coefficient for wealth was .832 for all free adult males, versus .816 for those who were native born. By 1870 even this small difference had essentially vanished; the Gini coefficient was .833 for all adult males, and .831 for the native born.

Urbanization had a stronger, but still minor, impact on inequality. The urban share of the Northern population rose from 8% in 1790 to more than 25% in 1860. Urban wealth was higher on average, and more unequally distributed, than rural wealth. Yet if the variance within urban and rural areas had remained constant, urbanization would have raised the Gini coefficient for Northern wealth by only 4% from 1790 to 1860. The vast majority of the surge in inequality in antebellum America occurred within (rather than between) sectors and regions.

When and where did wealth become more concentrated? There is little direct evidence. One relatively well-studied topic is the ownership of slaves. Slaveholdings grew slightly more concentrated in the hands of the biggest slaveholders after 1830, while the share of Southern families that owned any slaves declined; the combination of these trends led to a pronounced rise in the inequality of slaveholdings among all families.

Other available observations are mainly from tax and probate data for Northeastern cities. Some show a trough in inequality in the 1810s and 1820s; all show a steep increase after 1830. The

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average rate of increase in inequality in these data series is broadly consistent with the change in national data between 1774 and 1860, as cited above. However, Census data on ownership of real estate, the largest component of personal wealth at the time, shows essentially no increase in inequality between 1850 and 1860. The tentative conclusion, therefore, is that the concentration of wealth rose especially steeply from the 1820s to the late 1840s, coinciding with the first wave of industrialization.

CIVIL WAR TO GREAT DEPRESSION

"The seven decades following the Civil War mark a period for which wealth inequality remained very high and exhibited no significant long-term trend." (56) Between the 1860 and 1870 Censuses, the concentration of wealth in the North was virtually unchanged, while the concentration of wealth among white Southerners dropped sharply due to emancipation. Subsequent censuses do not include comparable information. A set of guesses about wealth distribution based on the partial data in the 1890 Census suggest little change from 1870.

Estate data for 1912-23 for 23 selected counties in 13 states, plus the District of Columbia, show a sharp drop in wealth inequality across World War I, consistent with other findings on income equalization in the war years. In the 1920s, the decade in which extensive wealth data first becomes available, inequality rose rapidly, with the top wealth-holders apparently regaining their pre-World War I position by 1929. The all-time peak of inequality was at some point between 1860 and 1929, but we do not know exactly when it occurred.

THE TWENTIETH-CENTURY LEVELING

The share of top wealthholders dropped precipitously over the two decades after 1929, hitting a trough around 1949 but then rising only slightly through 1972 (the latest data in this article). The top 1% of adults held 36% of all personal wealth in 1929, but only 21% in 1949. While wealth data is somewhat more abundant in the twentieth century, it is not necessarily of better quality. The new problem of tax evasion distorts all voluntary reporting of wealth in recent years. If twentieth-century taxes have stimulated successful efforts to conceal large wealthholdings, then reported data may understate inequality.

Two other trends imply that reported wealth data may overstate the extent of inequality. First, human capital is of rising importance, and is distributed more equally than property. For male cohorts aged 35-44 around the mid-twentieth century, the Gini coefficient averaged .45 for human capital, versus .71 for conventional wealth. Estimates of the aggregate value of human capital suggest that, at least since 1929, it has been growing more rapidly than other forms of wealth. Moreover, human capital is often held by younger individuals who are less likely to own conventional forms of wealth, implying that it equalizes the distribution of resources.

Second, social security and pension benefits have expanded rapidly, and are distributed much more equally than conventional wealth. One study calculated that for 1962, the share of the top 1% of wealthholders aged 35-64 is reduced from 28% of conventional wealth to 19% when the present value of social security benefits is included. The reduction would be smaller if based on adults of all ages, but it would be larger if pensions as well as social security were included.

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