

The Earning–Owning Gap

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What people earn and what people own have been drifting apart for fifty years. This brief measures the distance in one number, shows how it has grown in the United States, Germany, Britain and France, and explains what drove it.

Contents The question · **Published research** · What counts as wealth · Pay vs wealth · What drove the rise · Prices or saving · What it means · **Economic literature** · What the data cannot say · References

The question

Take two people. **Susie** earns the median income from work: half of adults earn more than she does, half less. **Bob** owns the average amount of wealth: all the private wealth in the country, divided equally among adults.

How many years would Susie have to work, saving every penny, to own what Bob owns? The answer, in years of pay, is the **wealth-to-pay ratio**. It does not depend on the price level, so it can be compared across countries and decades.

US: 5.3 years in 1970 → 15.9 years in 2024.

In Germany the ratio rose from 3.6 to 12.3 years; in Britain from 4.8 to 8.6; in France from 5.1 to 9.2.

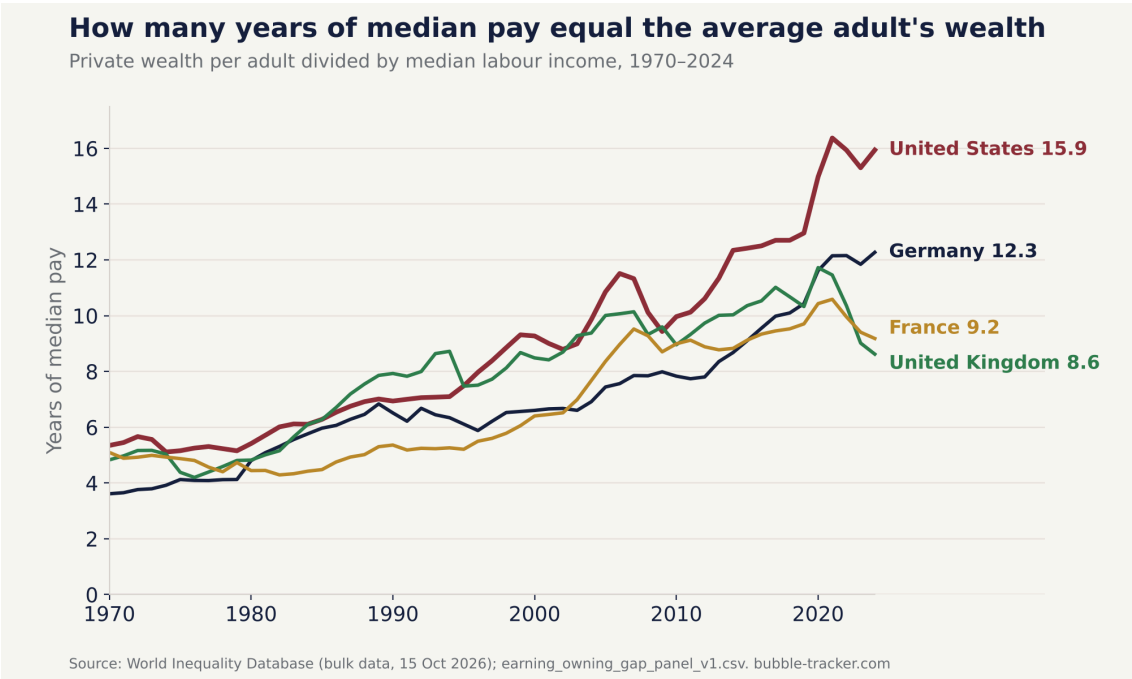


Figure 1. Average private wealth per adult in years of median labour income, 1970–2024. Source: World Inequality Database (bulk data, 15 October 2026), panel column Lambda.

Wealth-to-pay ratio (years)	1970	1990	2010	2024	Change
United States	5.3	6.9	10.0	15.9	×3.0
Germany	3.6	6.5	7.8	12.3	×3.4
United Kingdom	4.8	7.9	9.0	8.6	×1.8
France	5.1	5.4	9.0	9.2	×1.8

What published research already shows

Each part of this pattern has been documented in peer-reviewed research: 18 of the 24 works discussed in this brief are articles in refereed journals, 8 of them in the *Quarterly Journal of Economics* and 3 in the *Journal of Political Economy*. This brief combines the parts in one measure and splits its change exactly among them.

Wealth has risen faster than income in rich countries since 1970.

Private wealth went from about 200–300% of national income in 1970 to 400–600% in 2010 in every country studied.

Piketty and Zucman (2014), *Quarterly Journal of Economics* [PEER-REVIEWED](#)

Much of it is higher prices for existing assets, above all land.

Rising land prices explain about 80% of the global house-price boom since the Second World War.

Knoll, Schularick and Steger (2017), *American Economic Review* [PEER-REVIEWED](#)

The labour share explains little outside the United States.

Measured consistently and excluding housing, the labour share is stable or rising in the major advanced economies other than the United States and Canada.

Gutiérrez and Piton (2020), *American Economic Review: Insights* [PEER-REVIEWED](#)

The typical earner has fallen behind the average one in the United States.

US wage inequality above the median kept rising after 1980.

Autor, Katz and Kearney (2008), *Review of Economics and Statistics* [PEER-REVIEWED](#)

What counts as wealth

Net private wealth as measured in the national accounts: the market value of everything households and non-profit institutions own, minus their debts. That includes homes and the land under them, deposits, bonds, shares, unincorporated businesses, and pension funds and life insurance. It excludes public wealth, the value of future earnings, consumer goods such as cars, and pay-as-you-go state pension promises. Because wealth is valued at market prices, it rises with house and share prices even when nothing new is built or saved.

Pay did not fall. Wealth grew much faster.

After inflation, average labour income per adult roughly doubled between 1970 and 2024 in all four countries ($\times 1.9$ in the US and Germany, $\times 2.0$ in France, $\times 2.1$ in Britain). Average wealth per adult grew $\times 4.0$ in the US, $\times 5.7$ in Germany, $\times 3.2$ in Britain and $\times 3.8$ in France.

For the typical American the picture is starker. In Piketty, Saez and Zucman's US distributional accounts, real median labour income per adult did not rise between 1970 and 2010: depending on the price index it ended 15% lower (CPI-U) or 5% higher (GDP deflator), while average labour income rose by 19% to 47%.

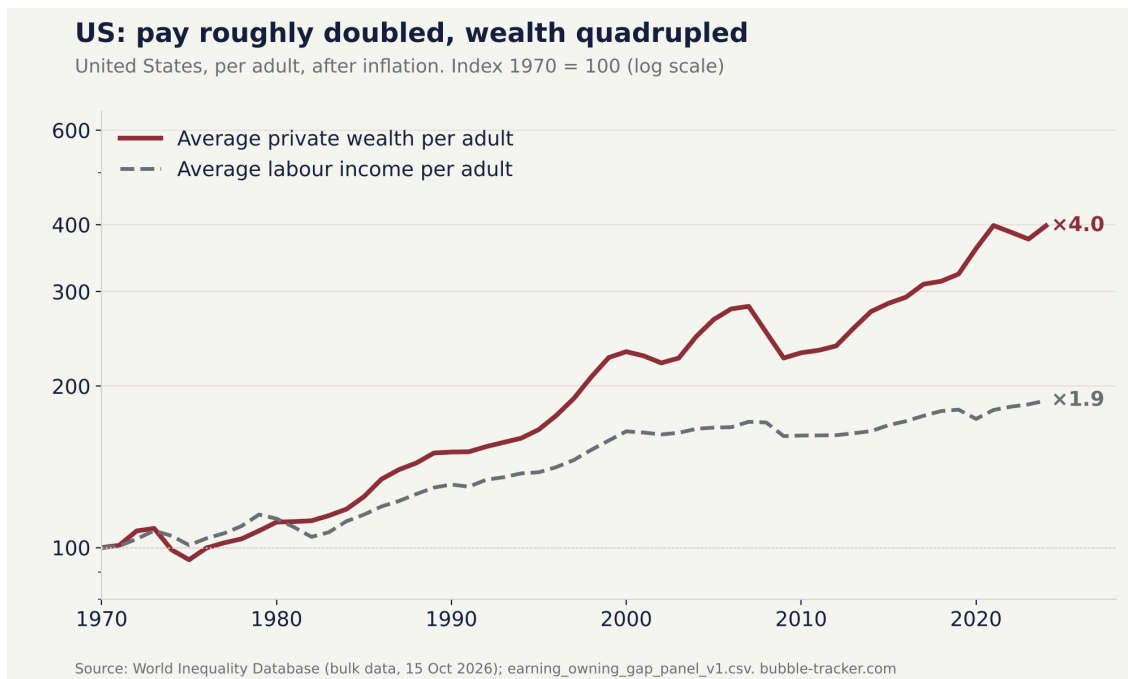


Figure 2. United States: average private wealth and average labour income per adult, after inflation, index 1970 = 100 (log scale). Other countries are on the website.

Why the ratio rose: three possible reasons

The ratio is the product of three other ratios, so it can only rise for three reasons. In logs their changes add up exactly, so each can be given a share of the total change without any model.

1. Wealth outgrows national income.

Assets rise faster than the economy.

2. Workers get a smaller slice.

The labour share of national income falls.

3. The median falls behind the average.

The typical earner lags the average one.

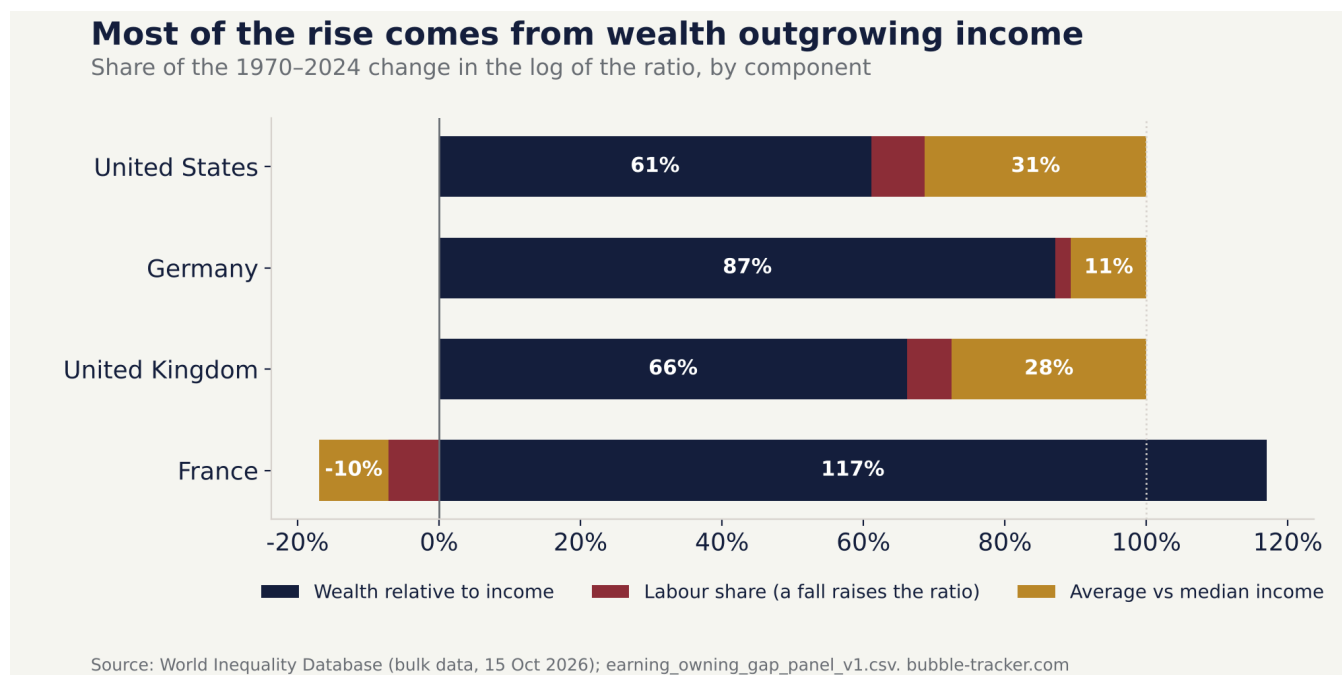


Figure 3. Share of the 1970–2024 change in the log of the ratio explained by each component. A share above 100% means the other components pulled the ratio down.

- **Wealth outgrowing income is the main force everywhere:** 61% of the rise in the US, 87% in Germany, 66% in Britain, and all of it in France.

- **The labour share explains little.** In the US it fell from 77% to 71% of national income at factor cost, which accounts for 8% of the rise; elsewhere about 6% or less.
- **The spread of incomes matters in two countries.** The median falling behind the average explains 31% of the US rise and 28% of Britain's, mostly in the 1980s and 1990s.

How it happened: prices or saving

The decomposition shows that wealth outgrew income, not how. Wealth can grow faster than income because people save more, or because what they already own goes up in price.

- **Britain repriced its way there, and partly back.** Capital gains explain 79% to 97% of the 1970–2010 rise in Britain's wealth-to-income ratio. Private wealth peaked in 2020 at 605% of national income and fell to 433% by 2024, about two-thirds of it through pension and life-insurance wealth.
- **Germany saved its way there, at least until 2010.** In the Piketty–Zucman accounts, saving explains more than all of the 1970–2010 rise. Their accounts end in 2010, so they do not cover the steep German rise since.

Because wealth is valued at market prices, a rise built on higher valuations can reverse when they fall.

What it means

1 Pay measures act on the smaller part of the rise.

Policies that act on pay, the labour share or the spread of incomes address components that explained about two-fifths of the US rise and an eighth of the German one.

2 The main driver is the value of existing wealth relative to income.

Some policies act on that ratio itself, such as housing policy that lowers house prices relative to incomes. Others leave the average unchanged but change who owns it: help for first-time buyers, automatic enrolment in funded pensions, employee share ownership.

3 The tax base may shift.

Where labour income is taxed more heavily than returns on wealth, a rising ratio shifts the burden towards people who work for a living; much of the rise is unrealised gains.

4 Inheritance is likely to matter more.

When average wealth is worth sixteen years of median pay, saving from earnings is a slow route to ownership. This brief does not measure inheritance; that implication is to be tested.

If that happens, the link between effort and financial security weakens. My expectation is that this will show up in politics long before it shows up in research.

The economic literature

There are three main strands of literature, one for each part of the ratio, three areas where two of them overlap, and two neighbouring fields.

Wealth relative to income. Piketty and Zucman (2014) showed that private wealth rose from about 200–300% of national income in 1970 to 400–600% in 2010 across rich countries, through saving under slower growth and a long recovery of asset prices (see also Piketty, 2014). Knoll, Schularick and Steger (2017) find that rising land prices explain about 80% of the global house-price boom since the Second World War; Jordà et al. (2019) find that housing and equities have earned similar long-run real returns, with housing less volatile.

The labour share. Karabarbounis and Neiman (2014) documented a global fall since the early 1980s, about half of it linked to cheaper investment goods; Autor et al. (2020) trace the US fall to sales shifting towards “superstar” firms with low labour shares. Gutiérrez and Piton (2020) find that, treated consistently, the labour share outside housing is stable or rising in the major advanced economies other than the United States and Canada, consistent with the small labour-share contribution found here.

The spread of pay. Autor, Katz and Kearney (2008) show US wage inequality above the median kept rising after 1980; Goldin and Katz (2008) explain much of the long-run pattern by a race between the supply of skills and technological demand for them.

(1) Factor shares and asset values. Rognlie (2015) finds that the long-run rise in the US net capital share comes from housing. Greenwald, Lettau and Ludvigson (2025) attribute about 40% of the 1989–2017 rise in US equity values to a reallocation of income from workers to shareholders.

(2) Who owns the wealth. Distributional national accounts split national wealth and income across the population (Saez and Zucman, 2016; Piketty, Saez and Zucman, 2018). Smith, Zidar and Zwick (2023) estimate lower top-wealth levels but still find the top 1% share rising from 27% to 34% between 1989 and 2016. Kuhn, Schularick and Steins (2020) show that the American middle class holds its wealth mostly in housing, so house-price booms tend to compress wealth inequality and stock booms to widen it.

(3) Pay and productivity. Stansbury and Summers (2017) find that typical pay has grown far less than productivity since the 1970s but still moves with it.

Inheritance and mobility. Piketty (2011) finds the inheritance flow in France U-shaped over two centuries; Alvaredo, Garbinti and Piketty (2017) put inherited wealth at 50–60% of private wealth in Europe around 2010, up from 30–40% in 1950–80. The micro evidence is mixed: in Sweden inheritances reduce wealth inequality at first but raise it within about a decade (Nekoei and Seim, 2023); in Norway they are a small part of lifetime resources except for heirs of very wealthy parents (Black et al., 2025). Fagereng et al. (2025) show that rising asset prices redistribute from buyers, often young, to sellers, often old.

Political economy. House prices shape attitudes to redistribution and voting (Ansell, 2019); Adler and Ansell (2020) link the geography of house prices to populist votes, including Brexit. Piketty (2020) studies how unequal ownership is justified politically.

What the data cannot say

- **Why wealth outgrew income.** Interest rates, housing supply, demographics, saving and capital inflows are all candidates; none is a finding of this brief.
- **Who holds the wealth.** The ratio compares the average with the median and says nothing about how wealth is spread within a country.
- **Exact levels.** The median is approximated from the distribution of total pre-tax income, which includes capital income. This raises the level of the ratio, by 3% to 14% in the US between 1970 and 2014 compared with actual median labour income, but changes the trend much less. Measured against full-time earnings, the US ratio still rises from 4.4 years in 1974 to 12.3 in 2024, almost $\times 2.8$.
- **Imputed years.** The labour share before 1970 is reconstructed and German income-distribution data before 1980 are sparse. Germany's 1970 value is interpolated; measured from 1971 its ratio still rises $\times 3.4$.

Check every number. The data (CC BY 4.0) and code (MIT) are open, version 1.0.2: panel, decade contributions, robustness tests, anchor checks against Piketty and Zucman (2014), and a registry of every number in the brief, at bubble-tracker.com/research/earning-owning-gap#data. The web version has interactive charts for all four countries, the decade-by-decade decomposition and an interactive map of the literature.

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