COMING SOON: CAPITAL GAINS AND THE DISTRIBUTION OF INCOME IN THE UNITED STATES*

Jacob A. Robbins†

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Abstract

This paper constructs a new data series on aggregate capital gains in the United States, and documents that since 1980 capital gains have been the main drivers of wealth accumulation. Capital gains are large for the post-1980 period, averaging 8% of national income, and comprise a third of capital income. Accounting for capital gains increases the measured capital share by 5 p.p., increases the comprehensive savings rate (inclusive of capital gains) by 9 p.p., and leads to a greater measured increase in top income shares. Under a Haig-Simons definition of income, which is inclusive of capital gains, the top 10%’s share of income increased by 18% from 1970 to 2015, compared with a 13% increase without capital gains. The three primary drivers of capital gains have been an increase in market power, an increase in intangible investment, and a decline in interest rates.

Keywords: Capital gains, inequality, capital share, savings rate
JEL Classification: E01, D63, E22, E21

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†Brown University, Department of Economics, e-mail: jacob_robbins@brown.edu