TRENDS IN THE CONCENTRATION OF
PERSONAL WEALTH IN THE UNITED STATES,
1958 TO 1976

BY JAMES D. SMITH

Institute for Social Research, The University of Michigan

The trend in the concentration of U.S. wealth from 1958 through 1976 is examined in some detail and summary data are used to extend the period over which the trend is observed back to 1922. The data suggests a long-run secular decline in the concentration of U.S. wealth with a rather sharp decline in 1976, the last year for which measurements were made. Although the secular decline in wealth concentration is supported by numerous observations across 50 years, the precipitous decline measured between 1972 and 1976 should be interpreted with caution because it undoubtedly reflects the substantial downward revaluation which occurred in the stock market from 1972 (most recent previous observation) to 1976. This is not to argue that wealth holders at the top of the distribution were not made significantly less affluent by the revaluation, but that the 1976 observation includes a large cyclical component. Future observations which include the subsequent upward revaluation in the stock market are expected to show levels of concentration comparable to or only slightly below those for 1958 through 1972.

I. INTRODUCTION

Although the data for the period are far from ideal, the diligent and imaginative efforts of Jones and other scholars have produced results which show the distribution of U.S. wealth in the Colonial and immediate Post-Revolutionary periods to be the most egalitarian in the nation's history.[1] However, with the exceptions of the periods around the Civil War and World War I, wealth inequality increased rather steadily until about 1929. The Great Depression brought with it a significant redistribution trend toward greater equality which continued to the end of World War II.[2] There then ensued a period of relatively stable economic stratification, terminated in 1969 by slight declines in inequality measured by estimates for 1969.[3] Estimates for 1972 suggested the 1969 appearance of a movement toward greater wealth equality may have been a statistical artifact.

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[1]Jones, A. H., Wealth Estimates for the Middle Colonies, 1774, *Economic Development and Cultural Change*, 18 (4), Part 2, 1970; Jones, A. H., Wealth Distribution in the American Middle Colonies in the Third Quarter of the Eighteenth Century, Paper read to the Organization of American Historians, New Orleans, 1971; Jones, A. H., Wealth Estimates for the New England Colonies about 1770, *Journal of Economic History*, 32, 98–127, 1971; Jones, A. H., *American Colonial Wealth: Documents and Methods*, Arno Press, New York, 1977.

[2]For a detailed review of the studies of U.S. wealth distribution covering the period up to the Mid-Twentieth Century see Williamson, Jeffrey G. and Lindert, Peter H., Long-Term Trends in American Wealth Inequality, in James D. Smith (ed.), *Modeling the Distribution and Intergenerational Transmission of Wealth*. University of Chicago Press, 1980.

[3]Smith, James D., The Concentration of Personal Wealth, 1922–1969, *The American Economic Review*, LXIV (2), 162-7, 1974; and Smith, James D., The Distribution of U.S. Wealth, U.S. Congress, House Committee on the Budget, *Data on Distribution of Wealth in the United States*, Hearings before the Task Force on Distributive Impacts of Budget and Economic Policies, 95th Congress, 1st Session, September 26 and 29, 1977, pp. 7–11 and 173–183, Government Printing Office, Washington, 1977.

Preliminary estimates presented in this paper from work now underway suggest that the measured movement toward greater equality observed in 1969 may indeed have portended a significant decline in the concentration of U.S. personal wealth. The new estimates for 1976 are comparable to those produced by Jones for the Colonial period. We stress the preliminary nature of our estimates because they are so striking and because they are the first results produced from Federal Estate Tax returns filed for estates of persons dying in 1976 and national balance sheet data from the integrated accounts work of Richard and Nancy Ruggles. If the estate tax files with which we are working do not contain significant errors, and our tests of the files have revealed none to date, and if the vagaries of statistical chance have not resulted in death drawing a grossly atypical sample, the estimates signal a remarkable decline in the wealth held by the crème de la crème of American wealth-holders. More particularly, the share of total personal wealth held by the richest one percent of wealth-holders declined from about 22 percent in 1972 to around 15 percent in 1976. This is the lowest level of wealth concentration ever measured in the U.S. in this century.

We have also used the recently available United States National Balance Sheets produced by Richard and Nancy Ruggles to recalculate past measures of concentration based on our personal wealth estimates for the United States from 1958 to 1972. We thus have a time series of wealth concentration from 1958 to 1976 consistent in both national balance sheets and personal wealth estimation procedures.[4]

After many years of resisting routine access to estate tax micro data, the Internal Revenue Service several years ago became highly supportive of scientific uses of administrative data. This, and the Ruggles work, augured well for increasing our understanding of the role of wealth in economic behavior. Unfortunately, just as our aspirations for better wealth estimates were raised by these events, changes in the U.S. Estate Tax Law make future estimates of wealth concentration comparable to those in the time series presented here impossible.

The estimates for 1958 in the time series were generated from special Internal Revenue Service tabulations in an era before machine readable micro data from estate tax returns were available to us. All the other estimates were derived from machine readable micro data.[5]

Information available from estate tax returns varies from year to year as the IRS alters its coding practices to meet its own programmatic priorities. The consequence of this is that assets are grouped differently from year to year by

[4]The new balance sheets produced by the Ruggleses were received with great enthusiasm. The author has for nearly a decade struggled with the problem of extracting from household sector balance sheets produced by Raymond Goldsmith and Helen Tice a "personal sector" which excluded the nonprofit and trust sectors. This was not done without considerable pestering of Goldsmith and Tice for special tabulations and for guidance. We are sure that at times our welcome wore thin and that they are as pleased as I am that the Ruggleses have assumed the yeoman labors of carrying on and extending their past efforts.

[5]Estimates for the period from 1953 to 1969 have been presented elsewhere. See Smith, James D., and Franklin, Stephen D., The Concentration of Personal Wealth, 1922–69, American Economic Review, LXIV (2), 162–167, 1974. The 1953 estimate which was produced by Robert J. Lampman (The Share of Top Wealth-holders in National Wealth) and earlier estimates by Lampman and by Horst Mendershausen are absent in this paper because the Ruggles accounts do not as yet provide sufficient subsector detail before 1958.

the IRS. To achieve consistency it was necessary to combine assets and considerable detail for specific years is lost in this presentation. For these estimates we did not make adjustments to the data which would have improved estimates for a given year unless these adjustments could be applied to all years in the series. Two consequences of not making all adjustments our current state of knowledge and level of data disaggregation would permit are (a) the level of concentration tends to be understated and (b) the margins of error in the later estimates are higher than they need be were one to focus attention only on those years. A later paper will present new estimates for 1972 and 1976 which take full advantage of the data and advances in technique. The reason for sacrificing precision for consistency here is a better measure of time trend.

The estate multiplier technique by which the wealth-holdings of the rich are estimated has been detailed in a number of places and for the sake of brevity, we omit a detailed discussion in this paper. The technique assumes that death draws a random sample of the living population within age and wealth strata. Using this assumption one can weight the assets of decedents by the reciprocals of their respective mortality rates to obtain estimates of the wealth of the living.

Although there are a number of inadequately researched questions regarding the mortality rates applicable to persons of above average social economic status, the technique has gained wide-spread favor among researchers, who believe it is less subject to error when estimating the wealth of the top ten percent or so of the wealth distribution than are other available methods.

We shall proceed as follows. In section II the preliminary estimates are presented. In section III the general methodology is discussed.

II. THE ESTIMATES

In Table 1 we present the new time series of wealth concentration estimates using the Ruggles Balance Sheets and new wealth estimates for the richest one-half of one percent and richest one percent of the U.S. population in 1972 and 1976. The personal wealth estimates for earlier years have been published previously and are reproduced here in conjunction with the new balance sheet numbers. As noted in the Introduction, the estimates of personal wealth for the rich were produced using consistent methods rather than "best methods" so that changes over time would be most visible. If one uses the best methods available for the improved tax data of the years from 1969 and later, the level of wealth-holding is found to be higher by about 15 percent for those years. Unfortunately the improved methods cannot be applied to the data for earlier years. It is also the case that one is limited to making estimates of the wealth-holding of not more than one percent of the U.S. population. This follows from the fact that the requirement to file a return in each of the years was $60,000 gross assets. Gross assets of $60,000 were considerably less likely to be owned in 1958 than they were in 1976, when no more than the combined value of a modest house and automobile could amount to that much.

It is necessary to point out a few technical details underlying the table before proceeding. The asset and liability figures for "100 percent" of the population are the Ruggles Balance Sheet values, slightly modified to suit our needs. The

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TABLE 1

THE SHARES OF PERSONAL WEALTH OWNED BY THE RICHEST ONE-HALF PERCENT AND RICHEST ONE PERCENT
OF THE U.S. POPULATION, 1958–1976
(amounts in billions of dollars)

Asset	Value Held by Richest			Share Held by Richest[a]		Value Held by Richest			Share Held By Richest[a]	
	100.0%	0.5%	1.0%	0.5%	1.0%	100.0%	0.5%	1.0%	0.5%	1.0%
			1958					1962		
Real Estate[b]	620.9	62.5	93.9	10.1	15.1	755.7	79.6	117.8	10.5	15.6
Corporate Stock[c]	289.4	175.9	199.2	60.8	68.8	423.6	227.3	264.4	53.7	62.4
Bonds	83.6	31.3	36.0	37.4	43.1	95.2	33.2	38.4	34.9	40.3
Cash[d]	220.8	22.5	32.8	10.2	14.9	284.7	28.9	42.5	10.2	14.9
Debt Instruments	46.7	12.5	16.3	26.8	34.9	59.2	16.5	21.8	27.9	36.8
Life Insurance (CSV)[f]	70.1	7.5	11.3	10.7	16.1	84.0	7.1	10.7	8.5	12.7
Miscellaneous and Trusts[g]	341.8	45.6	52.8	13.3	15.4	387.6	NA	NA	—	—
Trusts	31.2	25.8	27.9	82.7	89.4	46.4	NA	NA	—	—
Miscellaneous	310.6	19.8	24.9	6.4	8.0	341.2	39.8	52.7	11.7	15.4
Total assets	1642.1	332.0	414.4	20.2	25.2	2043.6	432.4	548.3	21.2	26.8
Liabilities[e]	227.6	29.2	38.3	12.8	16.8	314.4	47.8	61.0	15.2	19.4
Net Worth	1414.5	302.8	376.1	21.4	26.6	1729.2	384.6	487.3	22.2	28.2
Number of Persons (millions)	0.87	1.74				0.93	1.87			
			1965					1969		
Real Estate[b]	886.3	94.4	135.8	10.7	15.3	1172.5	117.0	170.7	10.0	14.6
Corporate Stock[c]	541.4	317.2	364.9	58.6	67.4	731.3	366.3	423.3	50.1	57.9
Bonds	100.2	57.5	63.2	57.4	63.1	141.2	63.7	71.5	45.1	50.6
Cash[d]	376.2	43.7	62.7	11.6	16.7	505.6	48.1	71.2	9.5	14.1
Debt Instruments	68.6	19.8	25.4	28.9	37.0	88.9	21.9	29.6	24.6	33.3
Life Insurance (CSV)[f]	97.8	6.5	10.9	6.6	11.1	119.7	8.4	13.8	7.0	11.5
Miscellaneous and Trusts[g] and Trusts[g]	447.8	85.3	101.8	19.0	22.7	606.0	107.0	133.2	17.7	22.0
Trusts	59.9	49.0	52.7	81.8	88.0	73.6	60.0	64.5	81.5	87.0
Miscellaneous	387.9	36.3	49.1	9.4	12.7	532.4	47.0	68.7	8.8	12.9
Total Assets	2458.4	575.4	712.7	23.4	29.0	3291.6	672.4	848.8	20.4	25.8
Liabilities[e]	416.6	57.0	73.1	13.7	17.5	559.9	75.8	100.5	13.5	17.9
Net Worth	2041.8	518.4	639.6	25.4	31.3	2731.7	596.7	748.1	21.8	27.4
Number of Persons (millions)		0.97	1.94				1.01	2.03		
			1972					1976		
Real Estate[b]	1501.9	150.9	225.0	10.0	15.0	2435.1	209.0	305.7	8.6	12.6
Corporate Stock[c]	784.1	429.3	491.7	54.8	62.7	647.5	248.2	297.8	38.3	46.0
Bonds	159.1	82.5	94.8	51.9	59.6	249.7	64.1	74.4	25.7	29.8
Cash[d]	683.4	63.6	101.2	9.3	14.8	1023.5	68.5	111.8	6.7	10.9
Debt Instruments	90.6	30.3	40.8	33.4	45.0	121.5	33.1	44.8	27.2	36.9
Life Insurance (CSV)[f]	141.8	6.2	10.0	4.4	7.1	178.9	7.8	12.7	4.4	7.1
Miscellaneous and Trusts[g]	752.7	139.8	172.7	18.6	22.9	1084.3	161.7	200.6	14.9	18.5
Trusts	93.1	80.3	89.4	86.3	96.0	97.2	NA	NA	—	—
Miscellaneous	659.6	59.5	83.3	9.0	12.6	984.1	NA	NA	—	—
Total Assets	4020.5	822.4	1046.9	20.5	26.0	5643.3	776.9	1032.1	13.8	18.3
Liabilities[e]	719.5	100.7	131.0	14.0	18.2	1047.2	117.0	48.4	11.2	14.2
Net Worth	3301.0	721.7	915.9	21.9	27.7	4596.1	659.6	883.2	14.4	19.2
Number of Persons (millions)		1.04	2.09				1.08	2.15		

Estate Multiplier Estimate

[a]Richness is measured in terms of gross assets. Net worth is preferred to gross assets as a classifier, but the microdata for 1958 which would have permitted such an arrangement have been destroyed by the IRS. The microdata for 1962, 1965 and 1969, and 1972 and 1976, were therefore ordered by gross assets to produce estimates consistent with those for 1958.

[b]Real estate is shown at its market value without deduction of mortgages, liens or other encumbrances. In 1953 and 1958 only real estate located in the United States is included. In 1962 the value of real estate located outside the U.S. was brought into the estimate by a change in the law which made foreign real estate subject to estate taxes. The amount of such real estate is, however, seriously underrepresented because the law took effect late in 1962. Only estates for decedents who died after October 16, 1962, and who had acquired foreign real estate (except by gift or inheritance) after February 1962 were required to report it on estate tax returns. In 1965 and 1969 foreign real estate was included along with other real estate.

Included in real estate are land and structures for personal and business use. All other business assets are included in the "miscellaneous" category. Real estate held in trust is included here to the extent of the trust interest. A relatively small proportion of trust assets are in real estate, but the absolute value of all trust assets is understated here for reasons explained in the text.

[c]Corporate stock includes all common and preferred issues. It includes the value of shares in domestic or foreign firms whether traded or closely held. Also included are the value of certificates and shares of building and loan and savings and loan associations, Federal Land Bank stock and the value of other instruments representing an equity interest in an enterprise. Accrued dividends are also included. Stock held in trust is also included, but the absolute value is understated.

[d]Cash includes balances in checking and savings accounts, currency on hand or in safety deposit boxes, cash balances with stock brokers and postal savings accounts. Cash in trust is included, but understated.

[e]Liabilities includes all legal obligations except loans on life insurance policies.

[f]Life insurance (cash surrender value) is the amount individuals could expect to receive were they to surrender their policies to the carriers. It takes account of policy loans, accrued dividends and unearned premiums.

[g]"Miscellaneous and trusts" includes all assets owned in trusts *except real estate* and all assets other than real estate, corporate stock, bonds, cash, debt instruments, and life insurance (CSV) not held in trusts. Included are such items as consumer durables, personal effects, business assets (excluding real estate), mineral rights, tax sale certificates, judgments, lifetime transfers, and growing crops if not included in the value of real estate. This classification is shown here as an information item to explicate certain adjustments described in the text. It should not be summed with other assets to arrive at a total asset figure because trust assets are included within the individual asset types.

Miscellaneous assets are those described under miscellaneous and trusts less the trust assets. The miscellaneous asset category is added to other assets to arrive at total assets.

Trusts represent the actuarial value of reversionary and remainder interests in trusts. This actuarial value is substantially less than the total market value of assets held in trusts. On the basis of analysis reported in the text, the national balance sheet totals (100 percent) have been adjusted to the reporting concept used for estate tax purposes.

The separate value of trusts could be estimated directly only for 1965. For other years indirect estimates were made by a method described in the text. The value for trusts is shown as an information item. The assets held in trust have been distributed to specific asset categories.

National Balance Sheet Estimates

Assets and liabilities are derived from Richard and Nancy D. Ruggles, Integrated Economic Accounts for the United States 1947–1980, Working Paper No. 841 from the Institution for Social and Policy Studies at Yale University, 1981 and *Survey of Current Business*, May 1982. Some rearrangement and some adjustments in the numbers reported by the Ruggleses are necessary to align the aggregates with the concepts and classification of wealth used by the Internal Revenue Service in organizing and releasing information from federal estate tax returns. Households' assets are from Ruggles Table 2.40. Non-corporate, non-farm assets are from Ruggles Table 2.22, and farm assets are from Ruggles Table 2.23. Since Table 2.23 includes corporate and non-corporate farms, asset components are adjusted by the proportion of farm equity held by households, Table 2.40, to net worth of "corporate and non-corporate" farms, Table 2.23. Farm liabilities are also adjusted by this proportion. All balance sheet items have been adjusted to mid-year estimates by averaging pairs of end-of-year values.

Trusts' asset shown is 54.3 percent of households' estates and trusts reported by the Ruggleses. This adjustment is made to provide a direct comparison with trust interest reported in estate tax returns, because for estate tax purposes, one's interest in a trust is the actuarial value of that interest as reflected in a set of tables provided by the IRS for calculating contingency values. The nature of the IRS tables is such that if one took all the beneficiaries of a trust, the sum of their actuarial value would be less than the value of the trust. Analyses using the 1965 estate tax file, the only microdata file in existence which has trust assets separate from other assets, indicate that the actuarial value of trust assets included in the estate tax return will average 54.3 percent of the value of trusts were the value of a beneficiary's proportionate share of the total trust reported.

original Ruggles numbers are for end-of-year. Because our estimates from estate tax data are best thought of as mid-year estimates, we have taken the means of the pairs of the Ruggles end-of-year values which bound the individual mid-years of our estimates. Secondly, the Ruggles Balance Sheets carry trust assets as an undifferentiated total. For our purposes we need to have the assets held by trusts distributed according to asset type because the Internal Revenue Service in coding Estate Tax returns distributes trust assets without leaving a trail by which one can trace them. We distributed the Ruggles trust value by asset type according to information on the composition of trusts available to us. We further modified the Ruggles trust figures to conceptually align them with the valuation of trust assets employed for U.S. Federal Estate Tax purposes. Whereas the Ruggles trust values are appropriately stated in terms of market value, the valuation of trusts for tax purposes is an actuarial one, taking into account the probability of realization and the present value of expected future realizations. The handling of trusts is explained further in the following section of the paper.

It is important to keep in mind that the data are for *individuals*, not families. Although the data from the 1976 tax returns could be used to represent eight to ten percent of the total U.S. population, the table is limited to only the richest one percent and the richest one-half of one percent, because the data for 1958 is capable of barely representing the richest one percent. It should also be noted that "richest" with respect to the table refers to *total assets*. One would prefer to use net worth as a measure of richness in these matters, but again the failure of the Internal Revenue Service and nearly everyone else to recognize the scientific merit of microdata when the 1958 data were produced, and the agency's subsequent destruction of valuable machine readable media, prevent our use of net assets as a classifier for a time series including 1958.[6]

The table suggests that there has been a great deal of stability in the concentration of net worth and gross assets over the years observed. For instance, gross assets owned by the top one percent of wealth-holders represented a quarter of the wealth of all persons in 1958 and remained within three percentage points of that value for all but one year between 1958 and 1972. In 1976, however, we see a significant decline to 19 percent. A similar pattern is found for net worth. Within the asset categories one of the more striking changes observed over the period is the decline of both the relative and absolute importance of corporate stock in the hands of the wealthy. In part this reflects, perhaps, the sluggish behavior of the stock market in the last six to seven years of the period.

In order to provide a longer perspective of the concentration of wealth in the United States, we have added Lampman's estimates for the period from 1922 to 1956 to our own and plotted them in the following chart.[7] The estimates are not completely comparable and because of the nature of the data from which the early estimates are derived, one has little ability to modify them to a common basis. Nevertheless, they are believed to be sufficiently similar so as to warrant

[6]It is a great pleasure to witness the aggressive movement of the Internal Revenue Service's Statistics Division toward a closer relationship with the statistical community under its current director, who has himself been a serious student of wealth data.

[7]Lampman, Robert J., *The Share of Top Wealth-Holders in National Wealth*, Princeton University Press, 1962.

some comparison. The chart clearly shows the egalitarian trend of the 1930s and 1940s and puts our own estimates in perspective. It is too early to tell if the 1969 and 1976 observations suggest that we are moving off the plateau of the two preceding decades and are in a period of significant redistribution or if the observations reflect sampling variability in the draw provided by death. With respect to the very steep decline in concentration represented by the movement from 1972 to 1976, we clearly need to fully assure ourselves of the quality of the data. It should be pointed out, however, that the decline in concentration observed from 1929 to 1933 was greater and the decline from 1939 to 1949 was nearly as great as that shown for 1972 to 1976.

Share of Net Assets Owned by One-Half of One Percent of the U.S. Population 1922 to 1976

PERCENT
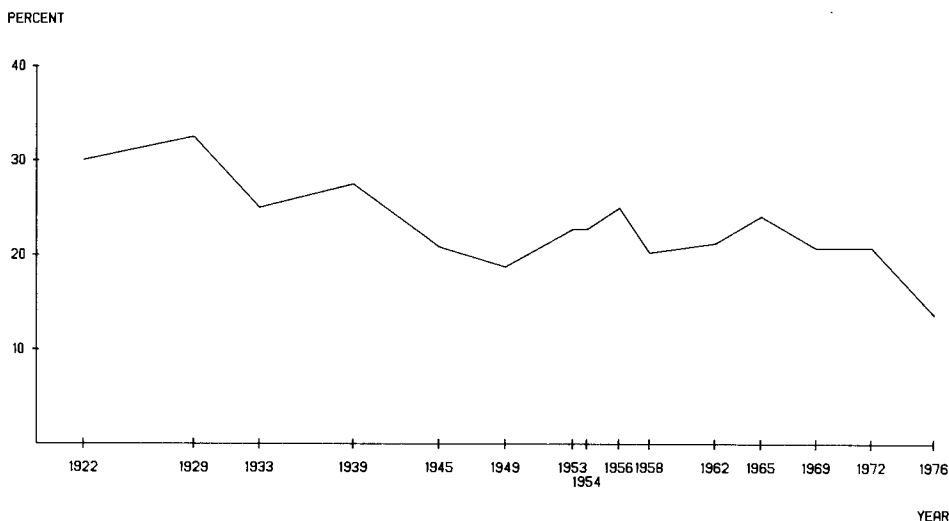
III. THE METHODOLOGY

The estimates of the wealth of the rich presented here are based upon samples of U.S. estate tax returns filed in 1958, 1962, 1965, 1969, 1972 and 1975. The samples ranged from 50,000 to 95,000 returns. All samples were machine readable except that for 1958 which was in the form of detailed tabulations. Since all estates with gross assets of $60,000 or more were required to file, the returns can be treated as a stratified sample of the assets of living persons with gross assets of $60,000 or more.[8] The estate tax returns are not a random sample of the wealth of the living. To infer from them the wealth of the living one needs to weight them by the reciprocals of the probabilities of death associated with the characteristics of decedents. This technique is generally referred to as the estate multiplier

[8]There is a substantial non-filing bias, however, for estates with gross assets under $100,000. This is believed to be due in large measure to the fact that many such estates would have no tax due. For an estimate of the filing bias, see Smith, James D., Franklin, Stephen D., and Orcutt, Guy H., The Inter-generational Transmission of Wealth: A Simulation Experiment, in F. Thomas Juster (ed.), The Distribution of Economic Well-Being: Studies in Income and Wealth, Vol. 41, National Bureau of Economic Research, Ballinger Publishing Company, Cambridge, Mass., 1977.

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method. The basic premises upon which the technique rests are:

1. Death draws a sample of the living population each year, stratified by age, sex and other determinants of mortality.

2. As with any sample, population parameters can be estimated by weighting observations by. the reciprocals of their sampling rates, in this case, the mortality rate. The wealth, W, of the primary population or any subpart of it can be estimated as:

$$W = \sum_{i}^{n} \frac{V_i}{M_i} w_i$$

where $V(i)$ is the living population of persons in the i-th sampling stratum, $M(i)$ is the number of persons dying in the i-th sampling stratum and $w(i)$ is the wealth of decedents in the stratum.

The estate multiplier methodology has been extensively described elsewhere so we will touch only on two special problems here.[9]

Life Insurance

Life insurance, unlike other assets reported on estate tax returns, has a much different value in the estate of a decedent than it does the instant before death. Before death, the value of a life insurance contract is its cash surrender value. The value of the same contract in a decedent's estate is its face value. Because our concern is with estimating the value of the assets of *living persons*, a procedure was needed to estimate cash surrender value from reported face value. Such a procedure was worked out with the Institute of Life Insurance. Estates are required to file with their estate tax return a form, completed by the insurance carrier, for each insurance contract on the life of a decedent. The form attests to the face value of the insurance contract, indebtedness of the owner to the carrier (policy loans), unearned premiums due the estate, accumulated dividends and interest, proceeds paid to beneficiaries, and the age of the decedent. The Institute of Life Insurance agreed to arrange with a number of large insurance companies to have them supply copies of the forms to which the carriers appended the cash surrender value of the policy in question on the day before death. The Institute then computed ratios of cash surrender value to face value less policy loans, which is basically equivalent to the life insurance proceeds reported for decedents for whom estate tax returns were filed. Life insurance cash surrender value increases exponentially with the life of a contract because it is basically determined by compound interest. Although we do not have evidence on the contract duration of insurance in estates, we do have the age of the insured. An analysis of the ratios of proceeds to face value by age of decedent revealed that a second degree polynomial fitted the ratios very nicely. Consequently, the proceeds were conver-

[9]See Lampman, Robert J., *The Share of Top Wealth-Holders in National Wealth*, Princeton University Press, 1962; Smith, James D., The Concentration of Personal Wealth in America, 1969, *The Review of Income and Wealth*, 20 (2), 1974; Smith, James D., White Wealth and Black People, The Distribution of Wealth in Washington, D.C., 1967, in James D. Smith, *The Personal Distribution of Income and Wealth*, Columbia University Press, 1975.

ted to cash surrender value by the following function:

$$\ln(\text{CSV}/\text{Proceeds}) = -5.4458 + 0.0669(\text{Age}).$$

Although life insurance cash value does not loom large in the assets of the super rich, face value ranges between six and seven times cash surrender, and its inclusion can distort wealth estimates.

Valuation of Trust Assets

The treatment of trust assets in estimates of wealth concentration derived from estate tax and national balance sheet data present special problems because trusts are not consistently valued in the two data bases. In the national balance sheets the assets of a trust are shown at their current market value. For estate tax purposes, the assets are valued actuarially. As a consequence, only about 54 percent of the value of assets held in trust in the Ruggles National Balance Sheet will conceptually be included on estate tax returns. For instance, if the decedent had an interest in a trust containing assets of $100,000 and the benefit were to be realized at a point ten years hence, the value of the trust asset in the estate of the decedent would be $100,000/(1 + i)$, where i is a rate of interest set by the treasury for discounting future trust benefits. The Ruggles, however, would carry the full $100,000 of trust assets in their balance sheet. Since remainderman arrangements are quite typical of trusts, and because trusts are commonly found among the assets of the rich, a method of conceptually aligning the balance sheet values for assets held in trust with the estimates of trust assets derived directly from estate tax data was required.

Fortunately, we have data which permits us to adjust the national balance sheet trust figures so that they are conceptually consistent with the estate tax data. The details of the procedure by which this is done are reported elsewhere and will not be repeated here.[10] It was found, however, that only 54.3 percent of the value of trust assets for balance sheet purposes would be reportable for estate tax purposes. Therefore, to get an appropriate measure of concentration of trusts and the individual asset types comprising trusts—almost entirely corporate stock, bonds and real estate—we reduced the Ruggles balance sheet trust entries to 54.3 percent of the value they reported.

In the Ruggles Balance Sheets the value of individual assets held in trust are not distributed among the individual asset types of the household sector, but the total value of trust assets held by households is shown. The Ruggleses have not published a trust subsector which would permit us to easily determine the values of the individual assets comprising the trust asset total. We, therefore, estimated the composition of trusts by using the composition of trust assets reported in the 1965 Internal Revenue Service Estate Tax files for trusts. (The

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[10]Smith, J. D., The Concentration of Personal Wealth, 1922–69, *American Economic Review*, LXIV (2), pp. 162–167, 1974. (Jointly with Stephen D. Franklin.)

1965 file is the only file where both the total value and composition of trusts is available.) The composition is shown below.

Compositions of Trusts

Corporate Stock	71%
Bonds	22%
Cash	3%
Notes and Mortgages	2%
Real Estate	2%