



The Great Polarization
Economics, Institutions and Policies in the Age of Inequality

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“INEQUALITY IN MULTIPLE DIMENSIONS: INCOME, CONSUMPTION, AND WEALTH”

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Abstract

We do not need to and should not have to choose amongst income, consumption, or wealth as the superior measure of well-being. All three individually and jointly determine well-being. This paper is the first to study inequality in three conjoint dimensions for the same households, using income, consumption, and wealth from the 1989-2016 Surveys of Consumer Finances (SCF). The paper focuses on two questions: what does inequality in two and three dimensions look like; and has inequality in multiple dimensions increased by less, by more, or by about the same as inequality in any one dimension?

We find an increase in inequality in two dimensions and in three dimensions, with a faster increase in multi-dimensional inequality than in one-dimensional inequality.

Viewing inequality through one dimension greatly understates the level and the growth in inequality in two and three dimensions. The U.S. is becoming more economically unequal than is generally understood.

Implications for policy, institutions, intergenerational mobility and research will end the paper.