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Appendix B: Some Considerations of Price Change

In evaluating the "real wealth" of wealth-holders, it is of course important to consider price change. Suppose a person with a \$100,000 estate were to have liquidated his holdings in 1953 and thus held \$100,000 in cash. What amount of purchasing power in terms of construction and consumer goods and services would that \$100,000 represent? When set against the construction cost index and the consumer price index, we find that \$100,000 in 1953 would have bought only as much new construction as \$36,851 would have in 1935 and as many consumer goods as \$51,311 would have in 1935 (see Table B-1).

TABLE B-1
 AMOUNT OF MONEY NEEDED IN 1929-52 TO HAVE CONSTRUCTION PURCHASING
 POWER AND CONSUMER PURCHASING POWER COMPARABLE TO
 \$100,000 IN 1953
 (dollars)

Year	Cost of \$100,000 Construction	Cost of \$100,000 Basket of Consumer Goods and Services
1929		64,073
1930		62,413
1931		56,818
1932		51,049
1933		48,339
1934		50,000
1935	36,851	51,311
1936	37,662	51,836
1937	40,950	53,671
1938	40,463	52,710
1939	40,584	51,923
1940	41,680	52,360
1941	45,576	54,983
1942	52,394	60,927
1943	55,073	64,685
1944	54,099	65,734
1945	55,763	67,220
1946	64,773	72,902
1947	77,232	83,479
1948	84,943	89,860
1949	83,807	88,986
1950	88,839	89,860
1951	94,683	97,028
1952	97,727	99,213
1953	100,000	100,000

SOME CONSIDERATIONS OF PRICE CHANGE

In other words, an estate valued at \$100,000 would have been "worth" considerably more in a period when costs and prices were lower than in 1953.

Another view of the importance of price change is provided by applying the change in consumer prices to the estate sizes and comparing the number of wealth-holders in the base year with the number in another year. This is done for 1944 and 1953 in Table B-2. Through this process the estate size \$60,000 to \$70,000 becomes \$91,260 to \$106,470 and the number of people with estates of the latter actual size in 1953 can be compared with the number who actually had estates of \$60,000 to \$70,000 in 1944. The number of persons with gross estates of \$60,000 and over in 1953 dollars was 1.66 million; but in 1944 dollars it was 1.1 million (see Table B-2, Part A, bottom line, col. 3). This was still a substantial rise over the number in 1944 who had gross estates of \$60,000 and over in 1944 dollars. Part B of the same table shows the reverse of this process, namely, the adjusting of the 1944 distribution for price change to compare it with the actual 1953 distribution. Columns 6 through 9 in the two parts of the table make it possible to compare the inequality which would have obtained within the top wealth-holder groups between the two years in the absence of the change in the price level. There is no notable change in the degree of inequality.

There is some interest in seeing how many millionaires, that is, persons with gross estates of \$1 million and over, there would have been in the two years if consumer prices had remained stable from 1944 to 1953. In 1944 there were 13,297 millionaires; in 1953 there were 27,502 millionaires in 1953 prices, but only 17,611 in 1944 prices (see Table B-2 and Chart 6).

SOME CONSIDERATIONS OF PRICE CHANGE

TABLE B-2
COMPARISON OF ESTATE TAX WEALTH'S DISTRIBUTION IN 1944 AND 1953, TAKING CONSUMER PRICE CHANGES INTO ACCOUNT

Actual 1944 Estate Size (thous. dollars)	PART A		1953 Gross Estate in Adjusted Estate Sizes (million dollars) (5)	Percentage Distribution of						
	Actual No. of Wealth- Holders in 1944 (1)	1944 Estate Size in 1953 Dollars (thous. dollars) (2)		No. of Wealth- Holders in 1953 in Adjusted Estate Sizes (3)	Actual 1944 Gross Estate (million dollars) (4)	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
						(6)	(7)	(7)	(8)	(9)
Under 60	4,693	Under 91.26	557,251	274	38,665	19.7	—	—	6.8	
60 to 70		91.26 to 160.47	216,992		18,288	13.5			6.5	
70 to 80		106.47 to 121.68	149,128		17,442	33.2	8.7		13.3	
60 to 80	194,761	91.26 to 121.68	366,120	11,936	35,730	9.2			4.9	
80 to 90		121.68 to 136.89	101,070		13,185	9.8			4.7	
90 to 100		136.89 to 152.1	108,523		12,600	19.0	8.1		9.6	
80 to 100	143,138	121.68 to 152.1	209,593	11,113	25,785	10.1			6.5	
100 to 120		152.10 to 182.52	111,794		17,596	10.3			7.8	
120 to 150		182.52 to 228.15	114,103		20,997	20.4	15.2		14.3	
100 to 150	198,672	152.10 to 228.15	225,897	20,854	38,593	11.2	9.6		10.2	
150 to 200	86,821	228.15 to 304.2	122,951	13,171	27,574	7.0	11.0		10.2	
200 to 300	67,267	304.2 to 456.3	76,924	15,092	27,704	4.4	12.2		9.5	
300 to 500	47,712	456.3 to 760.5	48,745	16,738	25,762	3.3	12.6		11.0	
500 to 1,000	25,812	760.5 to 1,521	34,331	17,287	29,735	1.2	9.1		8.4	
1,000 to 2,000	9,386	1,521 to 3,042	13,174	12,485	22,585	0.2	0.2		1.7	
2,000 to 3,000		3,042 to 4,563	1,762		4,542	0.2	0.2		4.0	
3,000 to 5,000		4,563 to 7,605	1,313		10,932	0.4	6.0		5.7	
2,000 to 5,000	3,129	3,042 to 7,605	3,075	8,232	15,474	0.1	7.3		8.0	
5,000 and over	782	7,605 and over	1,362	10,016	21,591					
5,000 to 10,000		7,605 to 15,210								
10,000 and over		15,210 and over								
Total	782,173		1,659,423	137,198	309,198	100	100		100	
Total over 60,000 (\$1,260)	777,480		1,102,172	136,924	270,533					

(continued)

SOME CONSIDERATIONS OF PRICE CHANGE

TABLE B-2 (concluded)

Actual 1953 Estate Size (thous. dollars)	PART B					Percentage Distribution of				
	Actual No. of Wealth- Holders in 1953 (1)	1953 Estate Size in 1944 Dollars (thous. dollars) (2)	No. of Wealth- Holders in 1944 in Adjusted Estate Sizes (3)	Actual 1953 Gross Estate (million dollars) (4)	1944 Gross Estate ^b in Adjusted Estate Sizes (million dollars) (5)	Col. 1 (6)	Col. 2 (7)	Col. 3 (8)	Col. 4 (9)	Col. 5 (9)
Under 60	1,538	Under 39.42	83							
60 to 70	181,004	39.42 to 45.99	11,136			23.1	8.6			
70 to 80	176,546	45.99 to 52.56	12,351			22.3	10.2			
80 to 90	357,550	52.56 to 59.13	13,428			45.4	36.9	18.8	13.8	
90 to 100	173,935	59.13 to 65.70	13,233			19.2	19.1	11.3	10.5	
100 to 120	151,427	Under 65.70	26,661		3,855	17.3	21.8	14.4	15.2	
120 to 150	325,362	65.70 to 78.84	63,121			10.4	11.0	14.1	13.7	
150 to 200	224,482	78.84 to 98.55	26,370			5.2	6.9	13.2	14.9	
200 to 300	216,579	98.55 to 131.4	265,157			2.0	2.8	9.9	11.8	
300 to 500	441,061	131.4 to 197.1	137,491			0.4	4.0	4.0		
500 to 1,000	186,323	197.1 to 328.5	157,107			0.2	0.2	3.3		
1,000 to 2,000	167,954	328.5 to 657	79,156			0.6	1.1	7.3	9.3	
2,000 to 3,000	101,216	657 to 1,314	49,292			0.2	0.4	5.1	10.7	
3,000 to 5,000	50,917	1,314 to 1,971	20,499			0.1		5.9		
5,000 and over	19,021	1,971 to 3,285	7,784			100	100	100	100	
5,000 to 10,000	4,044	3,285 and over	2,566							
10,000 and over	2,259	6,570 and over	782,173							
Total	6,303		719,052							
Total over 100,000	1,569		137,198							
	609		133,343							
	1,659,423		309,198							
	974,973		258,967							

^b Amounts unadjusted for price change.

^a Basic variant.