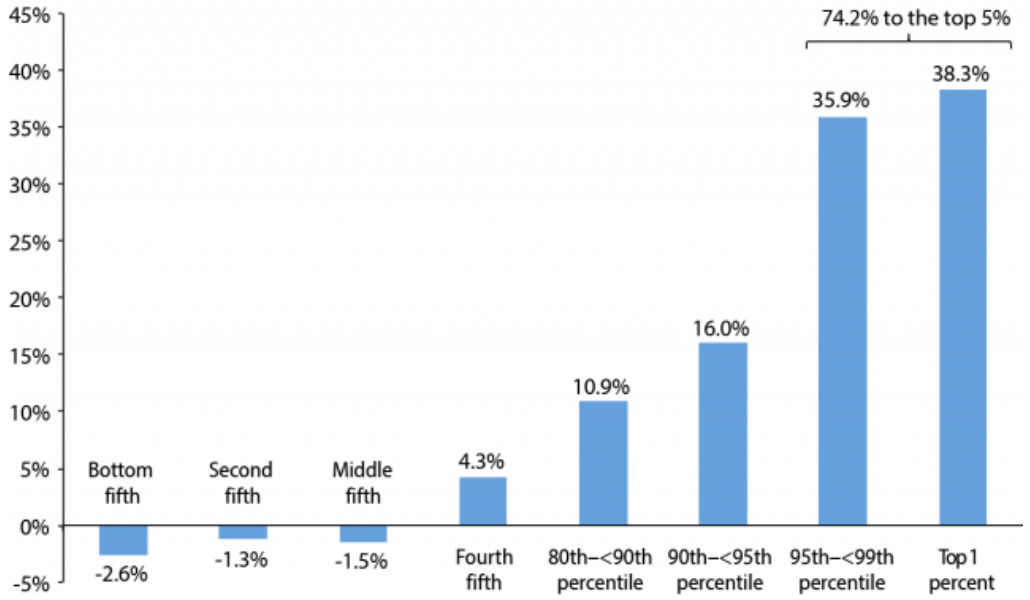
Share of total household wealth growth accruing to various wealth groups, 1983–2010



These wealth trends continue, as well. During the Great Recession, wealth fell for all groups, but, in the first two years of the recovery (from 2009 to 2011), the average wealth of households in the top 7% rose by an estimated 28% (from a mean of $2,476,244 to $3,173,895), while the average wealth of households in the bottom 93% dropped by an estimated 4% (from $139,896 to $133,817).[38] The main reason for this widening of wealth inequality during the recovery is that the wealth of affluent households more often consists of financial assets, such as stocks and bonds, while the less wealthy often have most of their wealth concentrated in their homes. During this period, the stock and bond markets rallied, while housing values remained flat.

With the bursting of the real estate bubble in 2007 to 2008, the combination of stagnant middle-class incomes and the lack of ready alternatives to maintain spending have turned increased attention to these long-term trends in increasing income and wealth inequality.

As noted earlier, a wealth tax is not likely at the Federal level under the apportionment clause. But could the income tax rate structure be fashioned so that effective Federal income tax rates were progressive relative to wealth (instead of income)? Such a rate structure would return the income tax to a "class tax," as it was in the first several decades of its life, with only the wealthy paying it. Would that be consistent with notions of fairness? How might it affect economic growth? Indeed, should we instead return to the pre-income tax days and tax only consumption, such as with a national retail sales tax?

Whether we stick with income or move to a consumption tax base, what about the rate structure? Should it be progressive or flat? Should subsistence consumption be freed from tax, whether under an income tax or consumption tax?

These questions lead us to a consideration of ethical norms and economic theories in more detail.

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[38] *See* Richard Fry & Paul Taylor, *A Rise in Wealth for the Wealthy; Declines for the Lower 93%*, at www.pewsocialtrends.org/files/2013/04/wealth_recovery_final.pdf.