

Trends in Wealth in the United Kingdom, 1995-2005

Francesca Bastagli
LSE

John Hill
LSE

This paper analyses the composition and distribution of wealth longitudinally, for a panel of British households, between 1995 and 2005. Using British Household Panel Survey (BHPS) data, the paper examines trends in net worth and its components, housing and financial wealth, over the decade. It analyses the trajectories of wealth accumulation by population group characteristics – starting wealth levels, age, qualifications and tenure – to highlight variations in patterns of wealth accumulation. The paper then focuses on housing wealth. Having highlighted the continuing expansion in home ownership and the steep rise in house prices that defined the period in the first section, in the second section, the paper examines the impact of rising house prices on trends in wealth distribution and accumulation. We simulate the distribution of net housing wealth in 2005 in the hypothetical scenario in which house prices remained at their 1995 levels (in real terms), taking into account differential house price growth by region and the knock-on effects of rising house prices on levels of mortgage debt (for first-time buyers). The paper finds that wealth inequality in Great Britain fell between 1995 and 2005, with the Gini coefficient of net worth experiencing a reduction of eleven percentage points. The growth in owner-occupation and the rise in house prices had an equalising impact and were the main driving force behind the reduction in wealth inequality observed over this period.