

Abstract

Wealth inequality and housing affordability have become major economic issues in the United States over recent decades. Because homeownership constitutes a major proportion of household wealth for many households, market dynamics have substantial impacts on inequality. Much current literature on land’s effect on wealth inequality is contained within broader discussions of capital, overlooking the nuances of land, such as its fixed supply and profitability through economic rents.

This paper analyzes the role of housing and land since 1970 in driving wealth inequality in the United States and whether separating land from other forms of capital leads to more effective inequality-reducing policy. Results suggest that concentration of real estate among top wealth percentiles has significantly contributed to wealth inequality, particularly through rising land and housing prices. Land financialization has contributed to real estate prices outpacing the broader economy, increasingly preventing less wealthy households from participating in the housing market. This creates a self-reinforcing cycle in which asset-poor households are forced to rent, furthering wealth inequality and their inability to purchase property.

The paper closes by arguing that a land tax more specifically addresses the unique features of land and reduces the financial incentives of speculative behavior and land financialization. The paper contributes to the existing literature through its framework analyzing land as a distinct economic asset from capital given its fixed supply, capacity to generate economic rents, and critical role in housing. This distinction provides a framework for evaluating policies and taxes targeting the real estate market to mitigate rising inequality.

The Mutually Reinforcing Dynamic Between Land Ownership and Wealth Inequality

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Introduction

The rising inequality and declining housing affordability in the United States help explain some of the financial challenges that younger generations and lower-income groups face in owning a home. The wealth disparities in the United States reflect high inequality, with a 2025 report showing that the top 1% of households hold 30.9% of the nation’s total wealth while the bottom 50% hold only 2.5%. While Piketty provides the theoretical framework, this paper argues that he undervalues the significance of land by conflating it with other forms of capital, such as stocks, bonds, or industrial equipment. Therefore, the paper poses the following question: How have land and housing influenced wealth inequality in the United States since 1970?

Methods

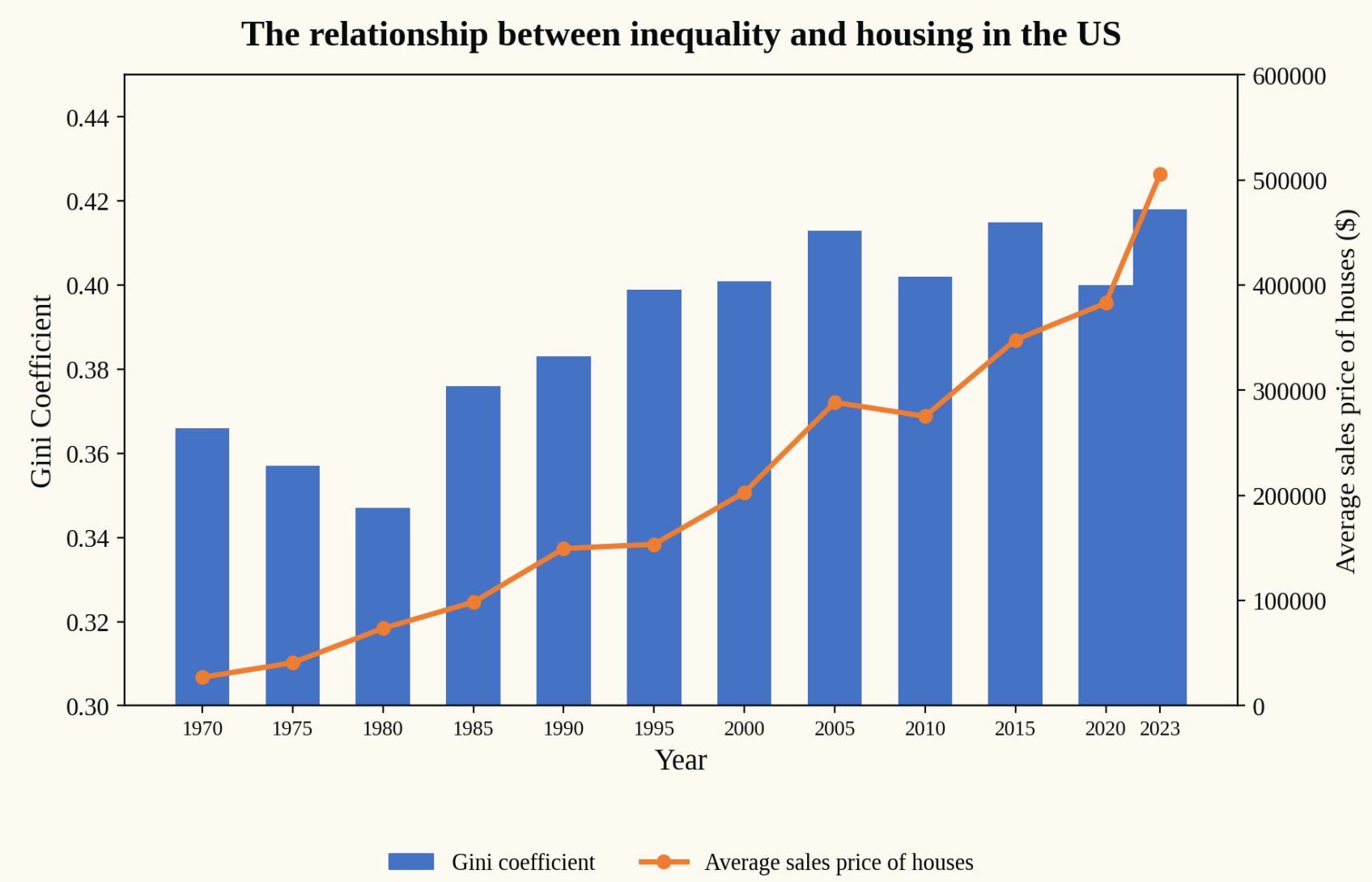
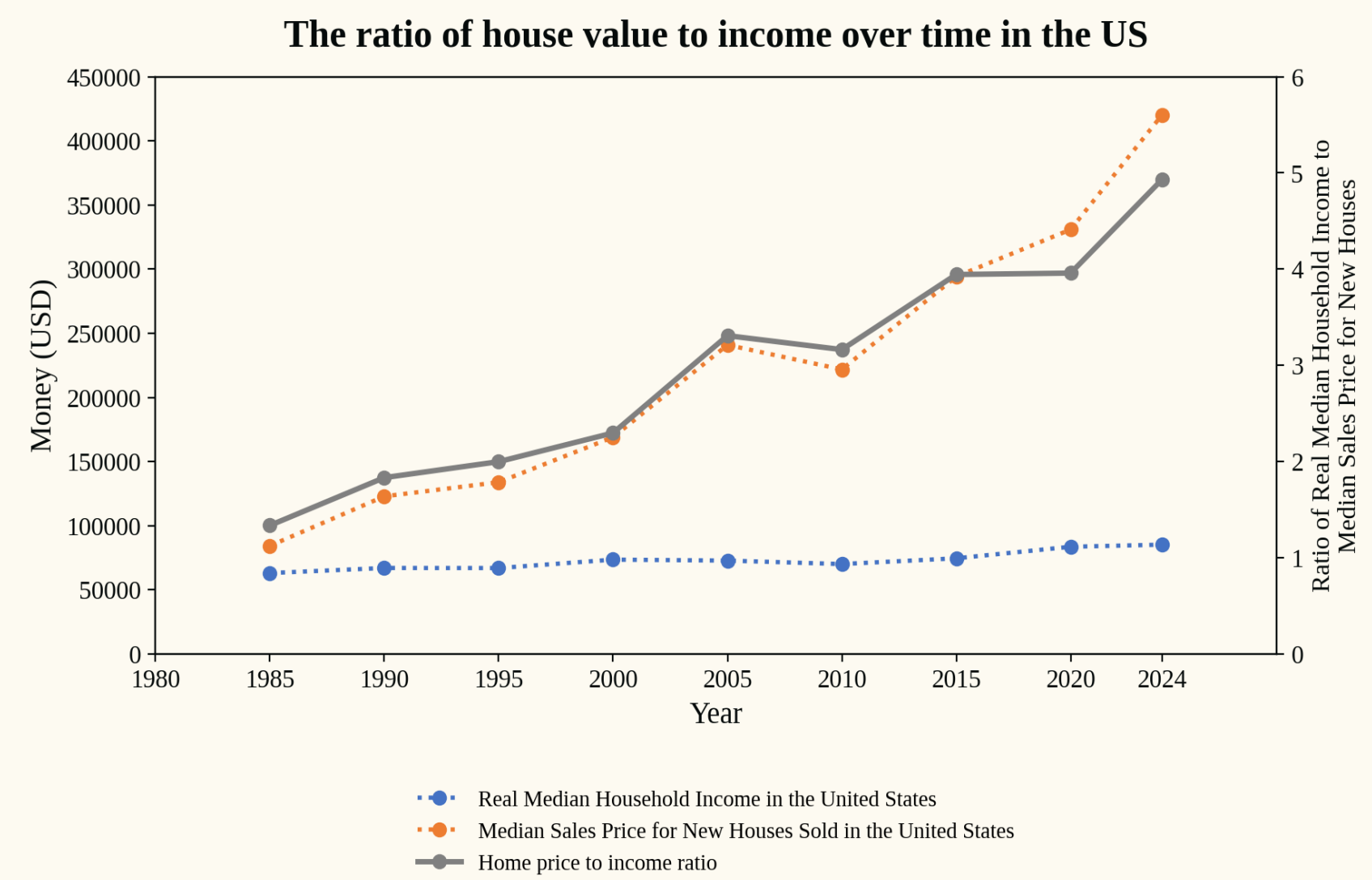
The paper is a literature review with data analysis, conducted using a variety of news articles, books by various economists, and reports and data from the government and research institutions. 45 sources were screened and reviewed, of which 34 were used for the paper. Sources were used if they analyzed land, housing, or inequality in the United States over the last half century, or if they focused on specific mechanisms like rent extraction or speculation. These trends are arranged in the empirics into a four-section framework: the financialization of housing and land, the unequal growth of housing and household income, the concentration of real estate ownership, and the effects of rent extraction and speculation. The last section of the paper is a policy analysis where the effectiveness of the wealth tax is compared with the land tax.

Theoretical Framework

The intertwined relationship between wealth inequality and land ownership can be explained in theory through two different causal chains, which represent the experiences of landowners and wealthy households, as well as lower classes who do not own housing or land. This excess amount of money earned from the scarcity of land, as opposed to adding productive value to the economy, is called economic rent.

Results

The trends indicate that the value of land and housing has grown faster than income, continually raising the barrier for homeownership and excluding working-class and lower-wealth households, as shown in Figure 1. This is supported by the ownership disparity of the top 10% of US households owning 44% of the total value of real estate, reflecting an elite-dominated housing market. Rental income to property owners increased from \$20.4 billion in 1970 to over \$1.1 trillion in 2026, indicating that housing has served as a financial asset, providing homeowners with earnings through economic rent. The relationship between housing value and inequality can be observed through the positive relationship between the Gini coefficient and average housing sale price, as shown in Figure 2. The Pearson correlation coefficient between the Gini coefficient and average housing price is 0.86 (95% confidence interval: [0.55,0.96]).



Discussion

A wealth tax is an annual tax on an individual or household’s total net worth, including financial assets such as liquid assets, securities, or retirement funds; real estate, business equity, or other valuable items. The wealth tax often struggles due to challenges with valuations or implementation, reduced investment and economic activity, as well as wealthy taxpayers moving assets or wealth out of the country. A land tax is a levy imposed on landowners based on the unimproved value of their land. Since land is immobile, owners cannot relocate it to offshore tax havens or foreign countries, and have to either pay taxes or sell. A land tax deals with the inequality-causing mechanisms, including speculation, rent extraction, and land ownership concentration, while bypassing criticisms of the wealth tax.

Conclusion

The analysis has shown that land and housing ownership have contributed to inequality through land financialization and its associated mechanisms of speculation and rent extraction. The results of this study indicate that land and housing should be considered separate from other forms of capital due to their unique characteristics that enhance their ability to drive inequality. Although the rule of $r > g$ is significant for analyzing wealth inequality, this paper opts for a framework that aligns more closely with Ryan-Collins et al., who argue for increased attention to land’s specific characteristics. This separation also provides a foundation for the assessment of policies that aim to reduce wealth inequality by focusing on land and housing. Future studies should use econometric modeling to more accurately determine the role that housing and land play in increasing wealth inequality, accounting for other factors such as education, inheritance, and other financial assets.

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