Flash Economics

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Can growth only come from private wealth accumulation?

We compare the United States and Europe. Since 2009, economic growth in the United States has been markedly stronger than in Europe. One way of explaining the United States' superior growth performance is to highlight the higher level of productivity gains in the US. However, productivity gains are closely linked to investment, and investment itself depends on growth prospects. This brings to the fore the importance of private wealth accumulation by Americans, which is associated with rising stock market indices and the high level of market capitalisation in the United States. American households, particularly the wealthiest ones, are becoming richer and consuming more, thereby helping to stimulate investment and productivity.

In reality, strong growth in the United States stems from the chain linking market capitalisation, consumption, investment and productivity.

This shows that if there were a downward correction in US stock market indices, this growth dynamic would disappear.

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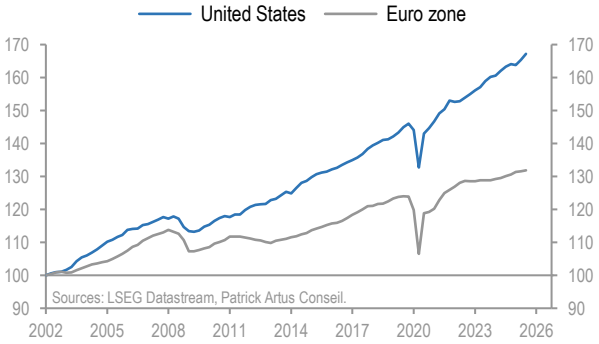
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Economic growth in the United States is markedly stronger than in Europe

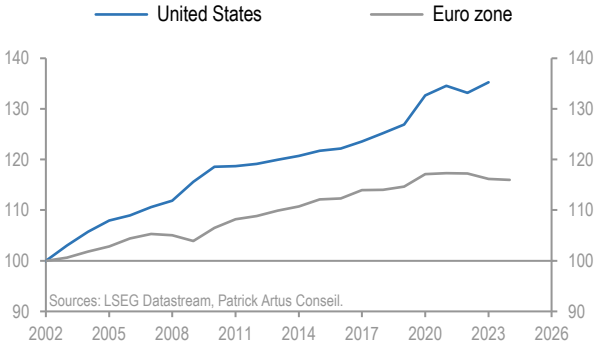
We compare the United States and the euro zone. Chart 1 shows the evolution of real GDP since 2002.

Chart 1
Real GDP (100 = 2002.Q1)



One way of explaining this superiority of the United States over Europe is to look at the level of productivity gains, which is higher in the United States than in Europe (Chart 2).

Chart 2
Real labour productivity per hour worked (2002.Q1 = 100)



However, higher productivity gains in the United States are linked to a higher investment rate (Chart 3). Yet the investment rate depends on expected market opportunities.

Chart 3
Investment of corporations
(in value terms, as % of nominal GDP)



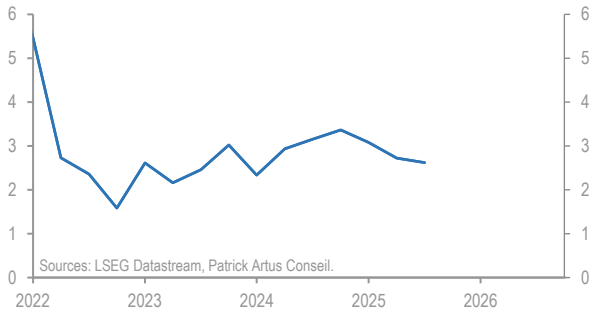
Expected growth in the United States is strong because of wealth effects, particularly those related to the rise in equity markets, on household consumption. Our argument is therefore that private wealth accumulation stimulates consumption, expected growth and investment, and ultimately productivity in the United States.

The dynamics of consumption among high-income US households

The Federal Reserve (Financial Accounts of the United States) measures household consumption by income decile. **US households in the 10th income decile** (the top 10% of earners) **increased their nominal consumption by 18.7%** (between the second quarter of 2024 and the second quarter of 2025), **while the remaining 90% of households (from the 1st to the 9th income deciles) increased their nominal consumption by only 0.5% over the same period**.

The growth in US household consumption (**Chart 4**) **is therefore almost entirely driven by households with the highest incomes**.

Chart 4
United States : Evolution of household consumption expenditure (in volume terms, Y/Y as %)



It is also well known that **equity ownership is highly concentrated among the top 10% of households in terms of both wealth and income** (**Charts 5A/B**).

Chart 5A
United States: Share of corporate equities and mutual fund shares held by the 10% of individuals with the highest wealth (as %)

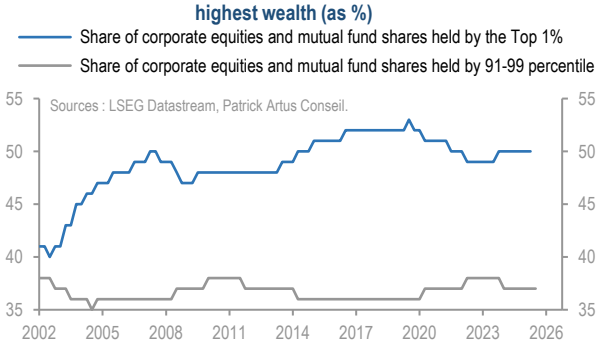
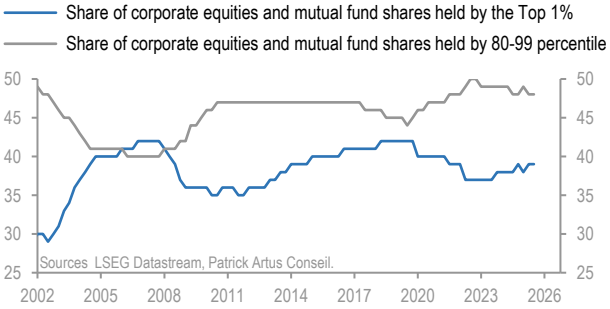


Chart 5B
United States: Share of corporate equities and mutual fund shares held by the 20% of individuals with the highest income(as %)



The mechanism can therefore be clearly identified:

- **A rise in stock market indices (Chart 6),** combined with the large weight of market capitalisation (Chart 7);

Chart 6
United States: Stock market indices (01.01.2002 = 100)

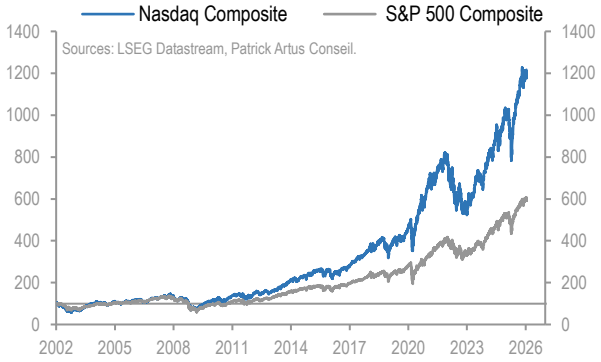
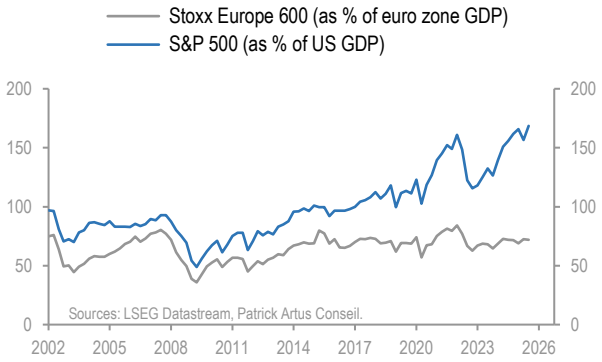


Chart 7
Market capitalisation (as % of nominal GDP)



- **An increase in the wealth of the richest households**, who are also those with the highest incomes;
- Support for household consumption;
- Favourable prospects for future demand, high levels of investment, and substantial productivity gains.

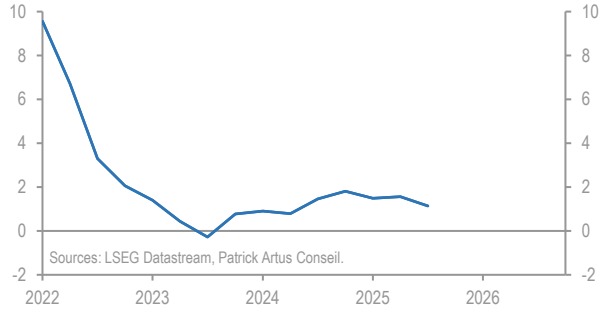
Summary: does economic growth require private wealth accumulation?

In the euro zone, private wealth accumulation does not stimulate consumption (**Charts 8A/B**).

Chart 8A
Euro Stoxx 50 (01.01.2002 = 100)



Chart 8B
Euro zone: Evolution of household consumption expenditure (in volume terms, Y/Y as %)



By contrast, in the United States, consumption by high-income and high-wealth households rises sharply as a result of increasing stock market indices. This triggers a mechanism in the United States that is absent in Europe: rising stock market indices, wealth accumulation, strong support for consumption by high-income households, rapid growth in aggregate consumption, expectations of stronger future demand, high levels of investment, and ultimately significant productivity gains.

It is indeed the interaction between a demand-side mechanism (the wealth effect on consumption) and a supply-side mechanism (the rise in investment and productivity) that provides the United States with an additional layer of economic growth.

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