

The Distribution of Wealth in Europe

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Why talk about wealth?

- **Functions of wealth**
- **Distribution**
- **Research**

What is wealth?

- **No consensus definition**
- **Economic goods capable of generating returns**
- **Sectors:**
 - Private households
 - Public sector
 - (Corporate sector)
- **Level of analysis:**
 - Household or person level

What is not wealth?

■ (Here) excluded:

- Social wealth
- Environmental wealth
- Human capital

**=> Comparisons of medians/averages
between countries problematic;
Less so: distribution + its time series**

Data sources

■ Administrative data

- Wealth taxation data
- Probate (estate) records

■ Household surveys

- US: Survey of Consumer Finances
- Euro area: Household Finance and Consumption Survey (HFCS)

■ Rich lists

Household Finance and Consumption Survey

- **Household survey 2009/2010**

(N ≈ 62.000)

- **ECB, National Central Banks**

- **Ex-ante harmonised data on total wealth of households**

- **Countries: At, Be, Cy, De, Gr, Es, Fi, Fr, It, Lu, Mt, NI, Pt, Sk, SI (not: Ir, Ee)**

Household balance sheet

Assets	Liabilities
Real assets	Collateralized debt
Financial assets	Non-collateralized debt



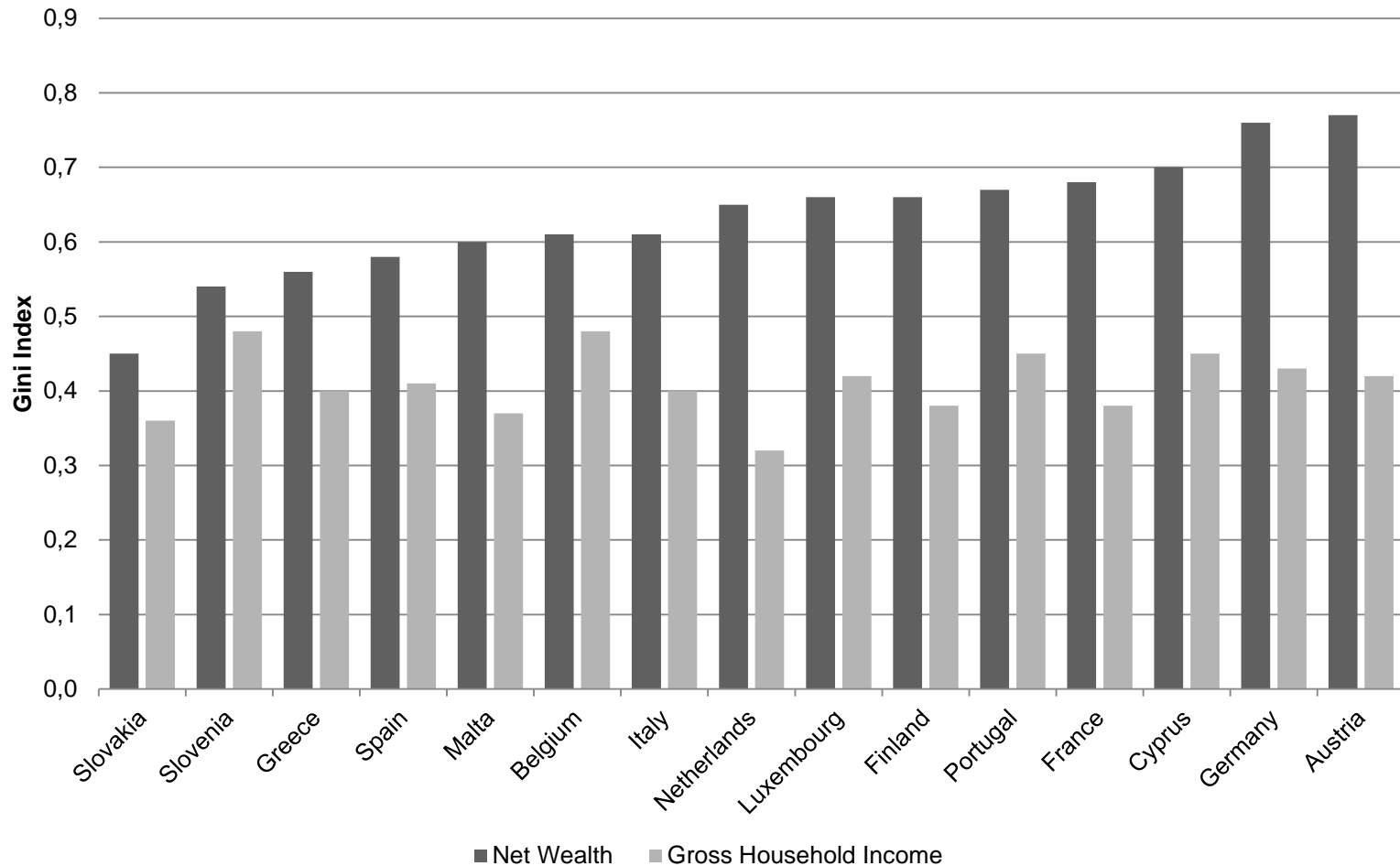
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Participation in asset classes

	Bottom half < 50%	Affluent 51-95%	Wealthy 96-100%
Vehicles	61,7	84,7	91,3
Main residence	28,0	92,1	94,1
Other valuables	36,9	50,7	62,4
Other real estate	8,0	35,4	78,4
Self-employment business	6,5	14,3	49,7
Sight accounts	92,4	96,7	99,1
Savings accounts	56,6	63,4	67,2
Money owed to the household	8,5	6,4	10,2
Bonds	1,5	7,9	19,6
Publicly traded shares	3,9	14,1	35,0
Mutual funds	6,3	15,5	31,9
Other financial assets	1,6	2,4	7,6

Note: Euro-area countries excl. Ireland, Estonia
Source: HFCS 2010, own calculations

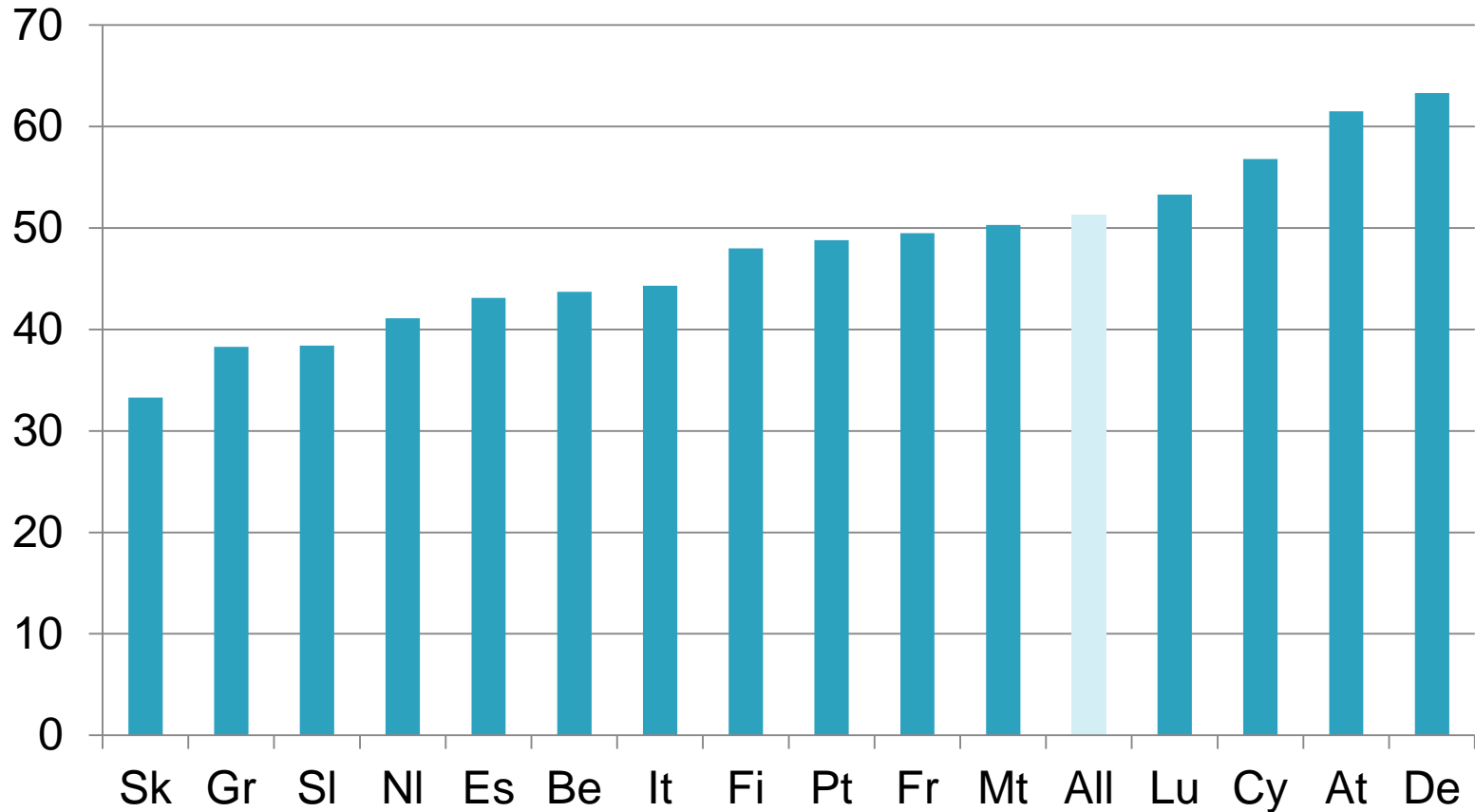
Gini coefficients of wealth vs. income



Source: HFCS 2010, Sierminska and Medgyesi 2013 (Research note DG Empl), Holzner, Jestl, Leitner 2015 (AK WP)

Distribution of wealth in the Euro area

Share of the top 10% in net wealth*



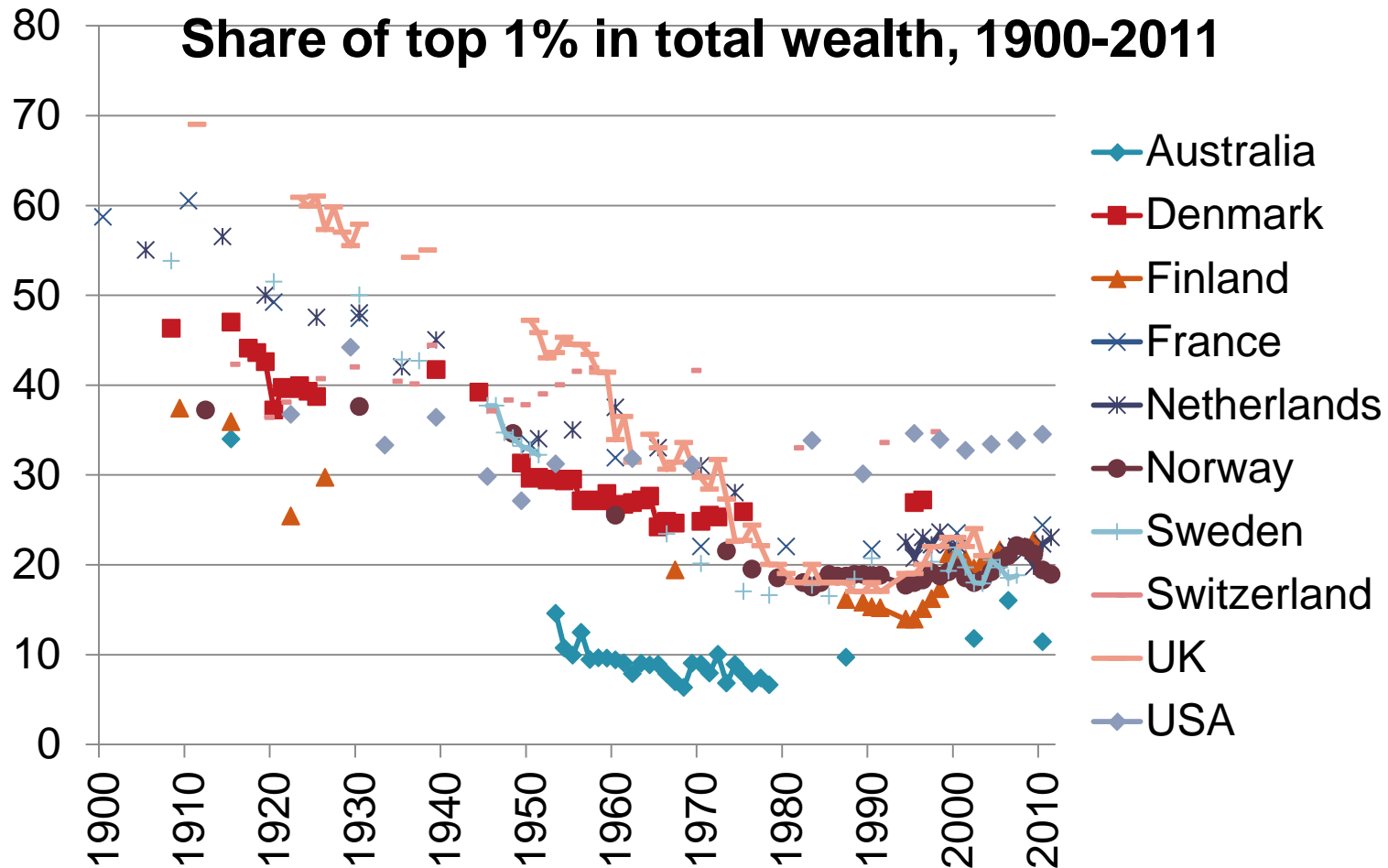
* Households with reference persons aged 25-60

Source: HFCS 2010, Carroll, Slacalek, Tukuoka 2014 (ECB WP)



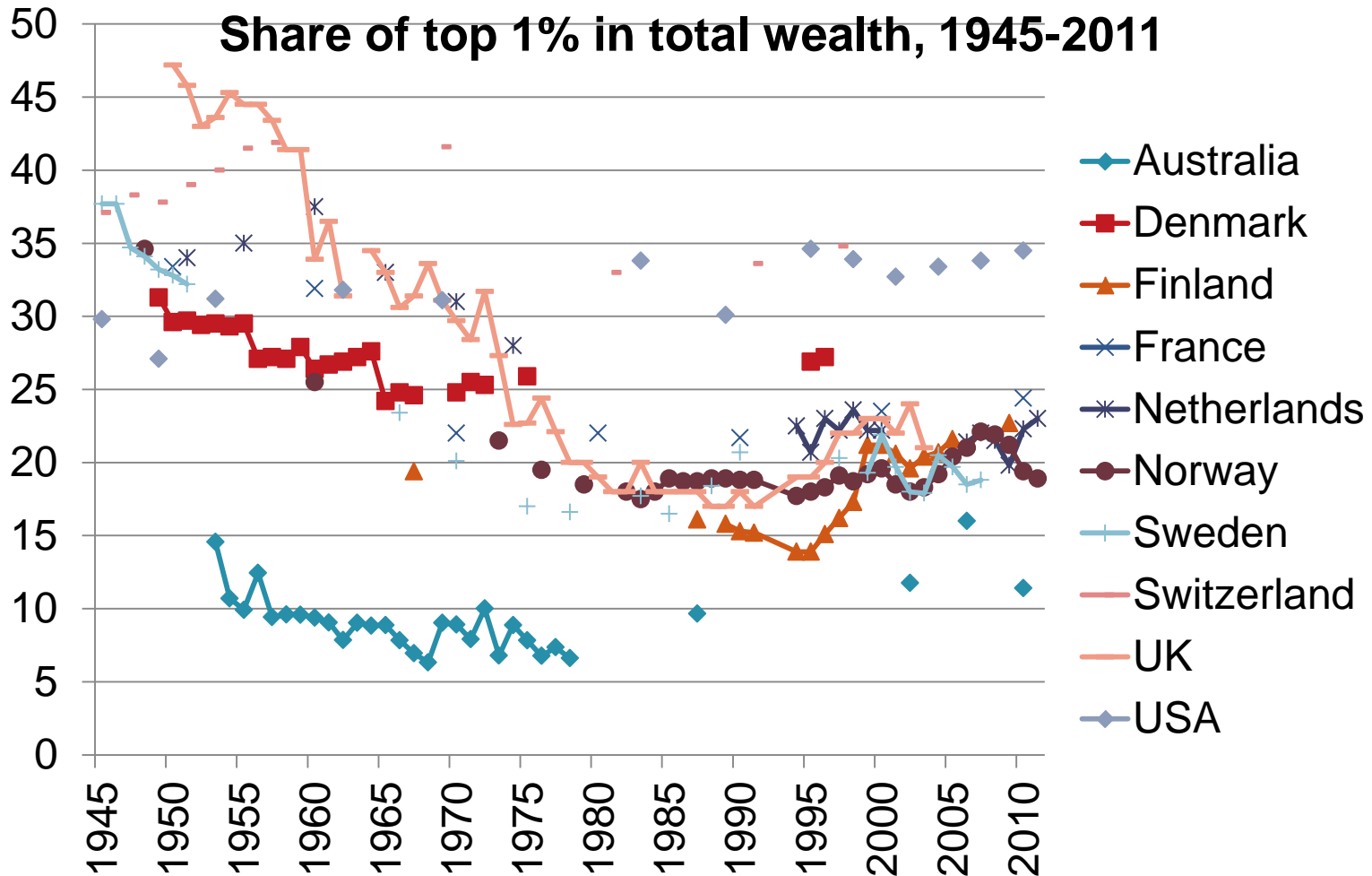
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Long-run trend in wealth distribution



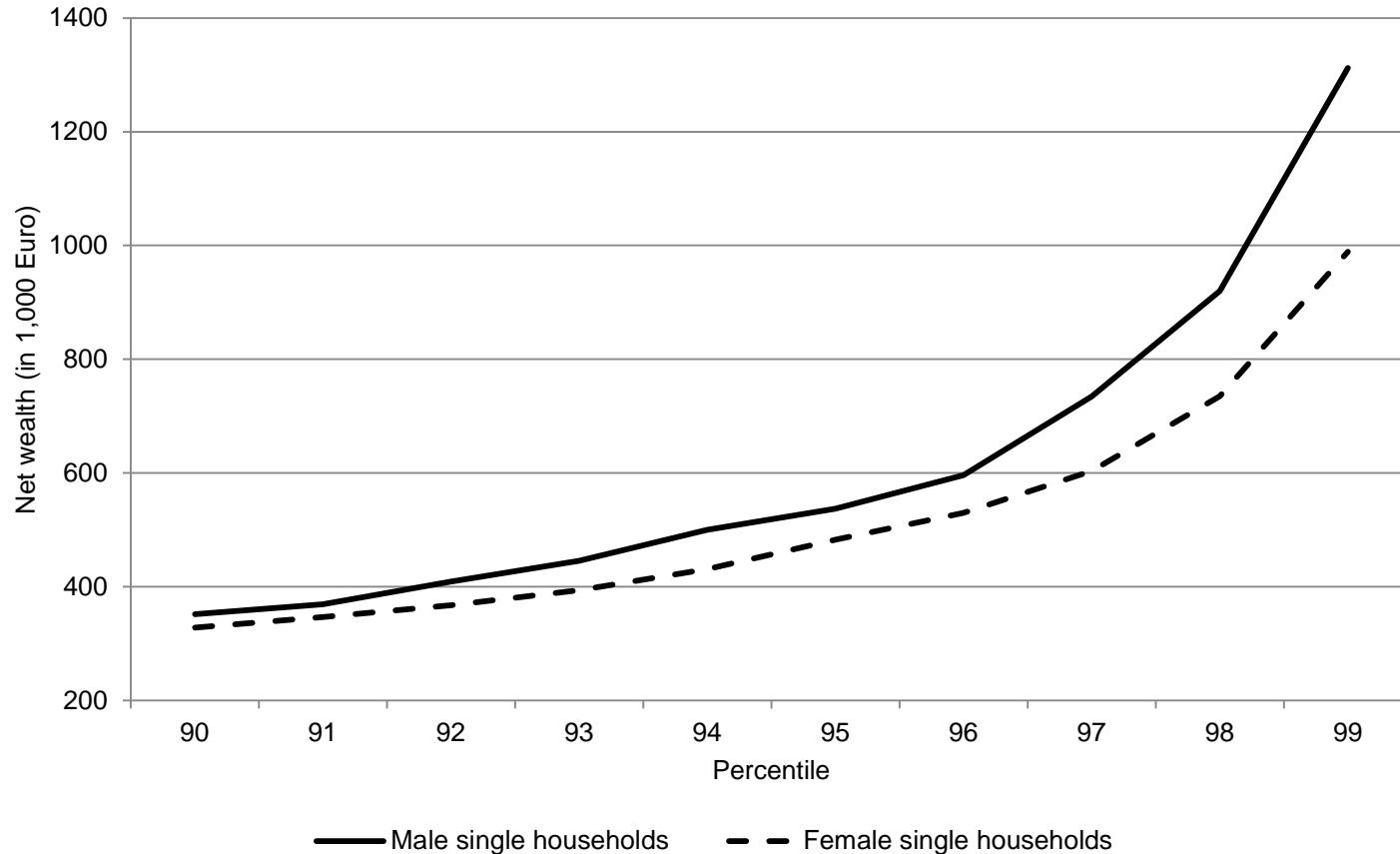
Source: various data sources, Roine, Waldenström 2014 (HB Income Distr)

Not-so long-run trend



Source: various data sources, Roine, Waldenström 2014 (HB Income Distr)

Some application of survey data (1): Gender wealth gap



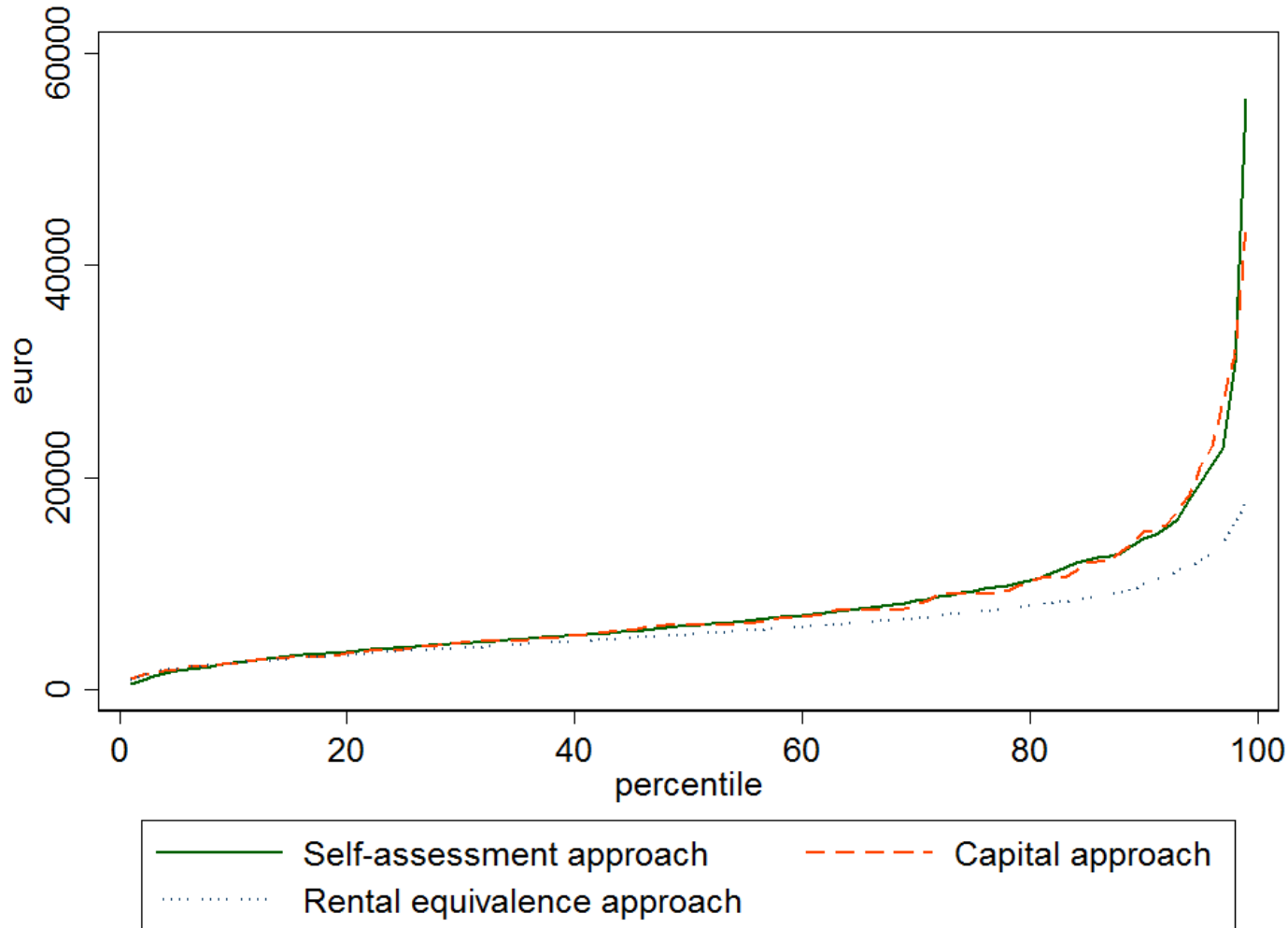
Note: Euro-area countries excl. Ireland, Estonia

Source: HFCS 2010, Schneebaum, Rehm, Mader, Hollan, Klopff 2014 (WU WP)



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Some application of survey data (2): Imputed rents (Austria)



Note: Imputed rental income per year over percentiles in the income distribution
Source: HFCS 2010, Fessler, Rehm, Tockner 2014 (ECB WP)

Why care?

- **Piketty: „People seem to be afraid of my book, but they should be afraid of the reality instead.“**
- **High inequality: European welfare state model requires social coherence**
- **Concentration of wealth: risk of undermining democratic political processes**

What to do?

- **Mobile factor wealth: coordination at the European level**
- **European-level wealth tax**
- **Combat tax competition and tax avoidance/evasion (Zucman 2014)**
- **Advantage: transparency**

THANK YOU

Literature

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