

Wealth inequality in the Euro Area: *Facts, Perceptions and Judgments*

Conference

Distribution inequality

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* The opinions expressed solely represent those of the author and do not necessarily reflect the official viewpoint of the Oesterreichische

Why study wealth inequality?

Provides information for economic policy (financial stability, monetary policy, fiscal policy)

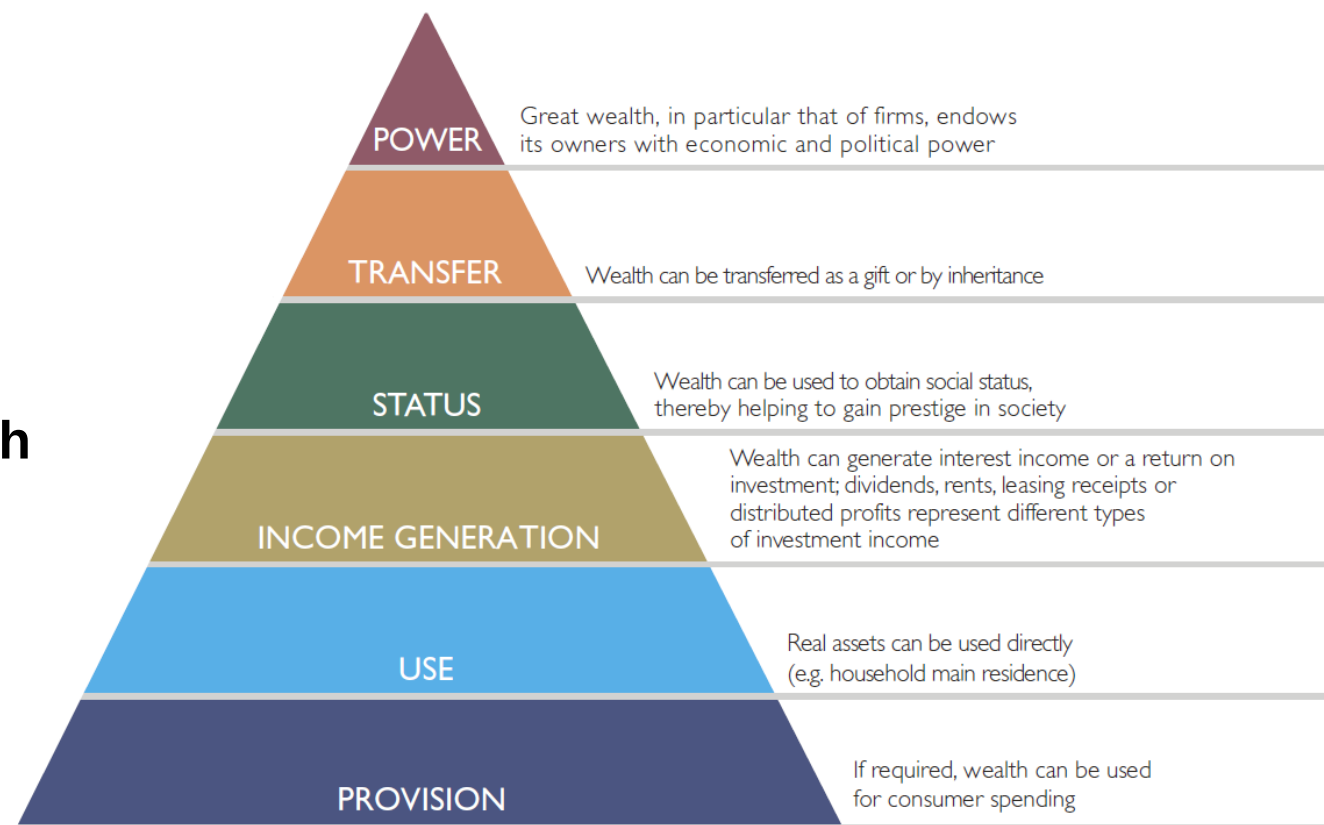
Forms the basis for deliberations on fairness

Shows tensions with and threats for democracy

Functions of wealth?

Illustration

Functions of Wealth



Note: As wealth increases, the number of the possible functions of wealth also tends to increase.

Functions change

Cultural context

Institutional context

Social context

wealth functions for the rich

**– power and status - are
not covered in surveys**

What do the Household Finance and Consumption Survey (HFCS) data tell us?

Household wealth is mainly hold in the form of real assets: Homeowners are by far richer than renters

Large cross-country differences

wealth inequality is a lot higher than income inequality

Lot of people with litte wealth: Lower half has less than 8% of total private wealth

A minority with a lot of wealth: Top-10% own about half of total private wealth

-> Publication of the 2.wave HFCS (20 countries) by the ECB: mid december 2016



Photograph: Chloe Cushman for the Guardian

Facts on wealth distribution

Right Tale of the Net Wealth Distribution

	95 th Percentile (in €, rounded to 10.000)	Share of top 5% (in %)	99 th Percentile (in €, rounded to 10.000)	Share of top 1% (in %)
Euro Area	760.000	37,2%	1.890.000	18,2%
Austria	930.000	47,6%	3.240.000	22,9%
Germany	660.000	45,6%	1.930.000	24,3%
Spain	880.000	30,9%	1.860.000	14,9%
France	780.000	36,5%	1.780.000	17,9%
Italy	860.000	32,1%	2.140.000	14,2%

Source: Eurosystem Household Finance and Consumption Survey (HFCS 2010).

Far Right Tale of the Net Wealth Distribution

	99,9 th Percentile	Share of top 0,1% (in %)	Maximum Observation ¹
Euro Area	7.410.000	6,2%	376.690.000
Austria	11.700.000	4,1%	14.330.000
Germany	13.580.000	3,9%	76.310.000
Spain	7.450.000	6,0%	376.690.000
France	6.960.000	7,0%	84.270.000
Italy	6.610.000	3,2%	26.130.000

Source: Eurosystem Household Finance and Consumption Survey (HFCS 2010).

Notes:

1) Maximum value is based on the average over all implicates, i.e. there are higher net wealth values in certain implicates in the HFCS.

Underestimation of wealth concentration

Wealth Surveys miss the rich

Table 2: Wealth share of top 1 percent

	survey	estimate	difference
Germany	24	30-31	+6 to +7
Austria	23	31-34	+8 to +11
France	18	20-22	+2 to +4
Spain	15	16-18	+1 to +3
Italy	14	21-21	+7 to +7
Belgium	12	18-20	+6 to +8
Finland	12	15-16	+3 to +4
Netherlands	9	14-17	+5 to +8

Vermeulen 2016 (ECB WP), estimations based on Forbes rich lists

→ We are not able to observe the wealth of the very wealthy: crude estimates.

Germany/Austria: most unequal countries in the Euro Area

Low ownership rate of household main residence

Well functioning welfare states

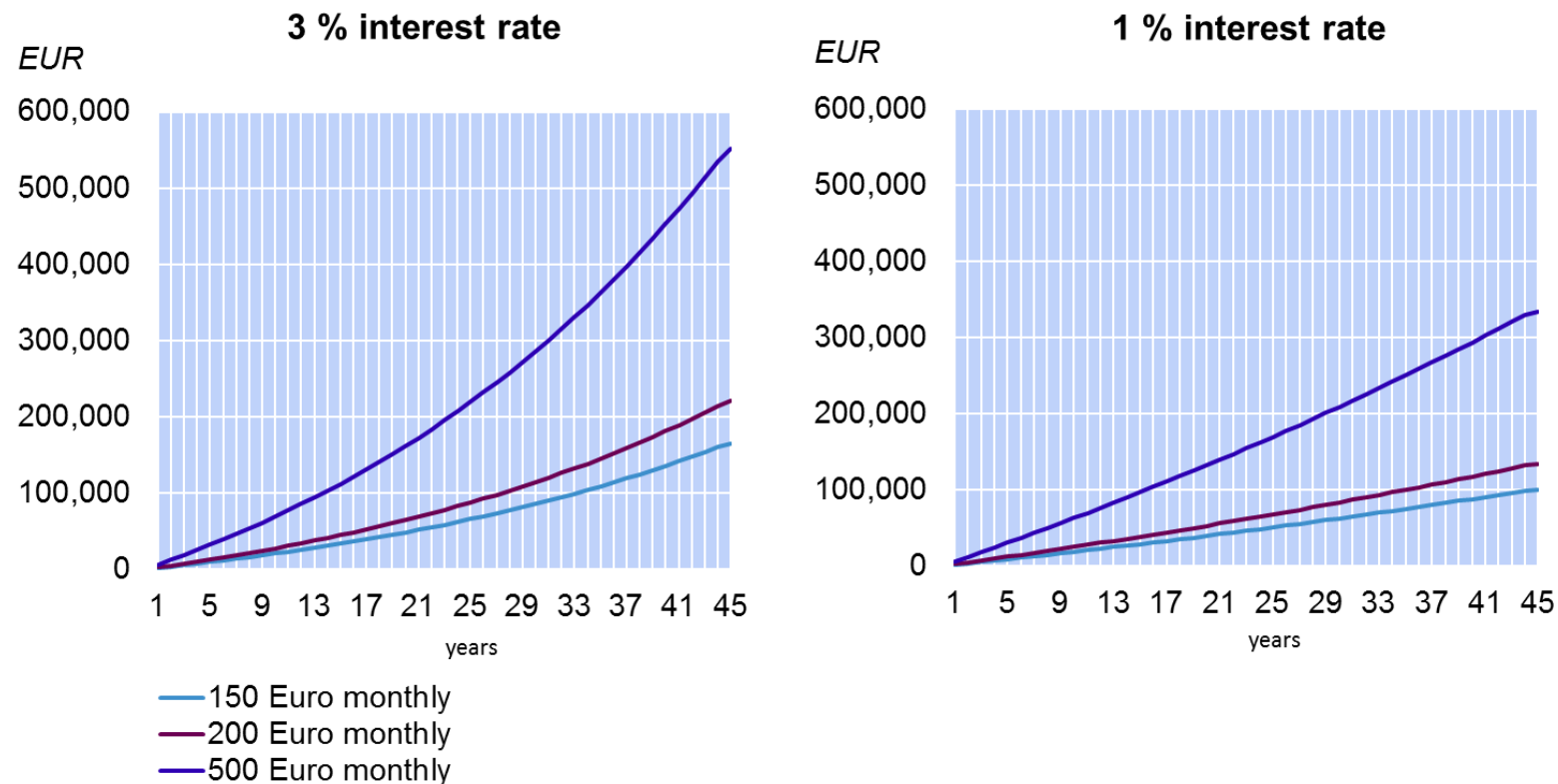
Low income inequality but high wealth inequality

-> Gini-coefficient of wealth inequality no single indicator for normative conclusions on fairness of society

Potential of savings - ownership society?

Figure 2

Monthly savings, interest and wealth accumulation



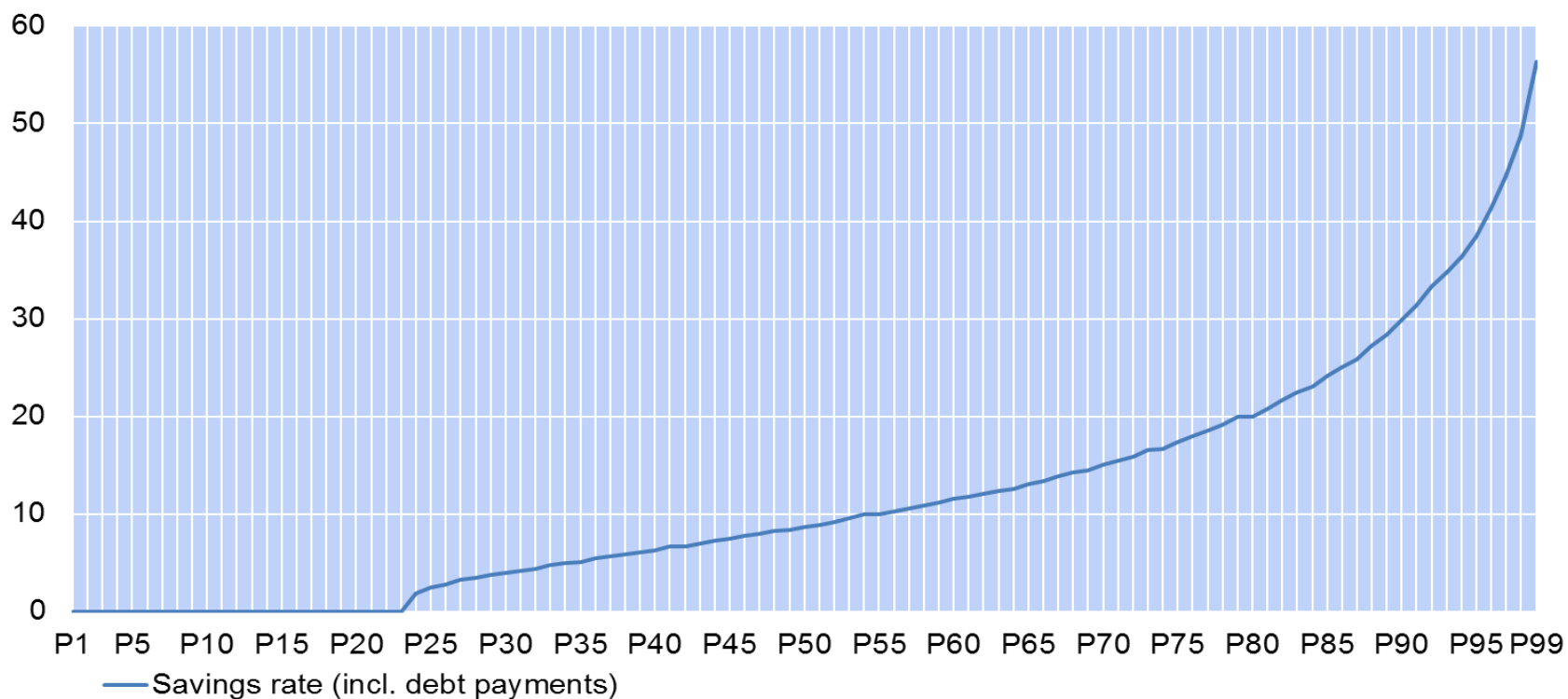
Quelle: Authors' calculation.

Savings rate accross households heterogenous and right skewed

Figure 1

Savings rate of households

in percent of household net income



Source: HFCS Austria 2014. OeNB.

Perceptions of wealth inequality

Ask people directly about wealth inequality

„In general, a too large wealth inequality is dangerous for democracy,,

Do you agree or disagree?

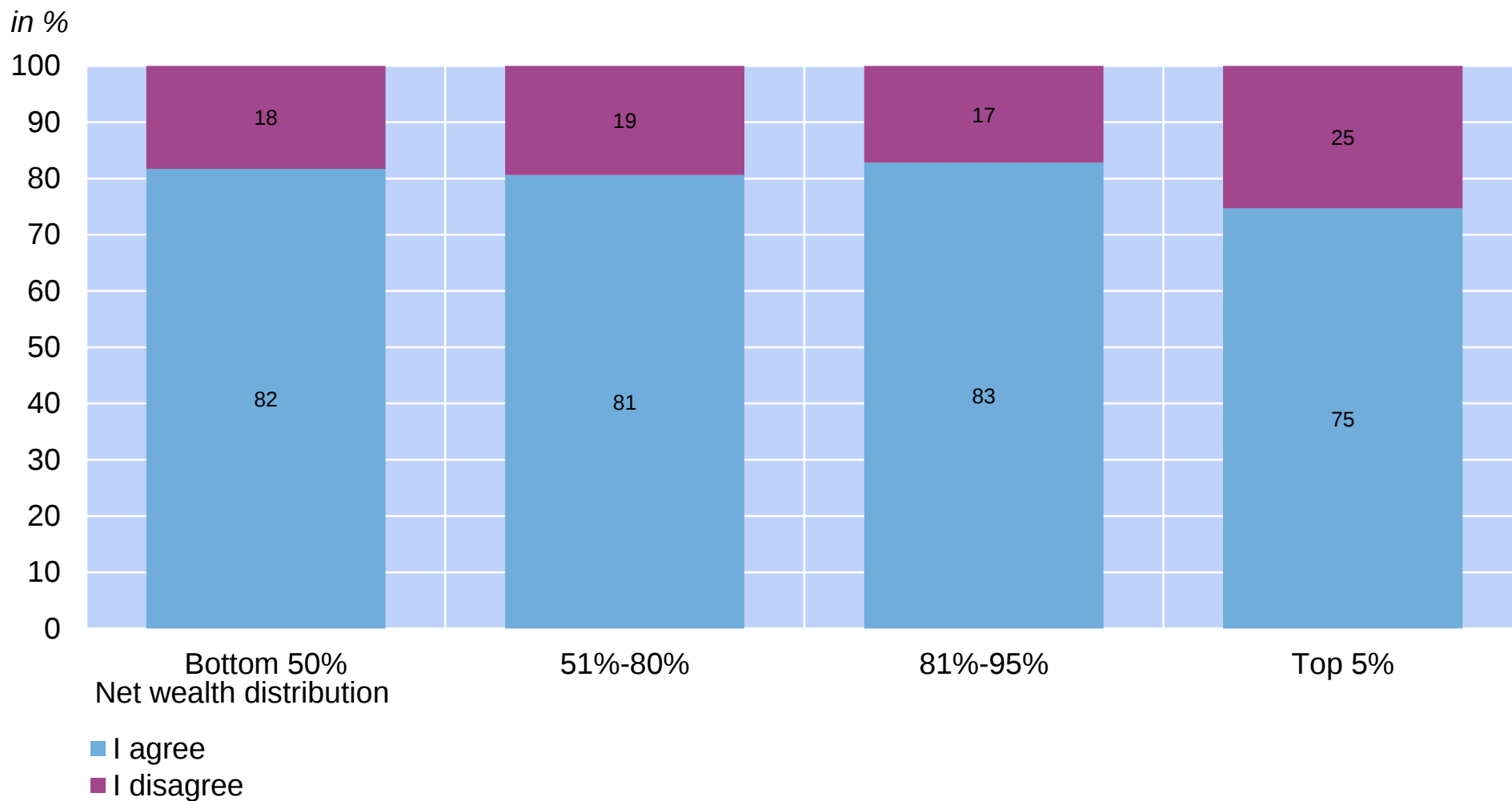
„In Austria, existing wealth inequality is dangerous for democracy,,

Do you agree or disagree?

„Considering net wealth of your household, where do you think is your position in the wealth distribution?

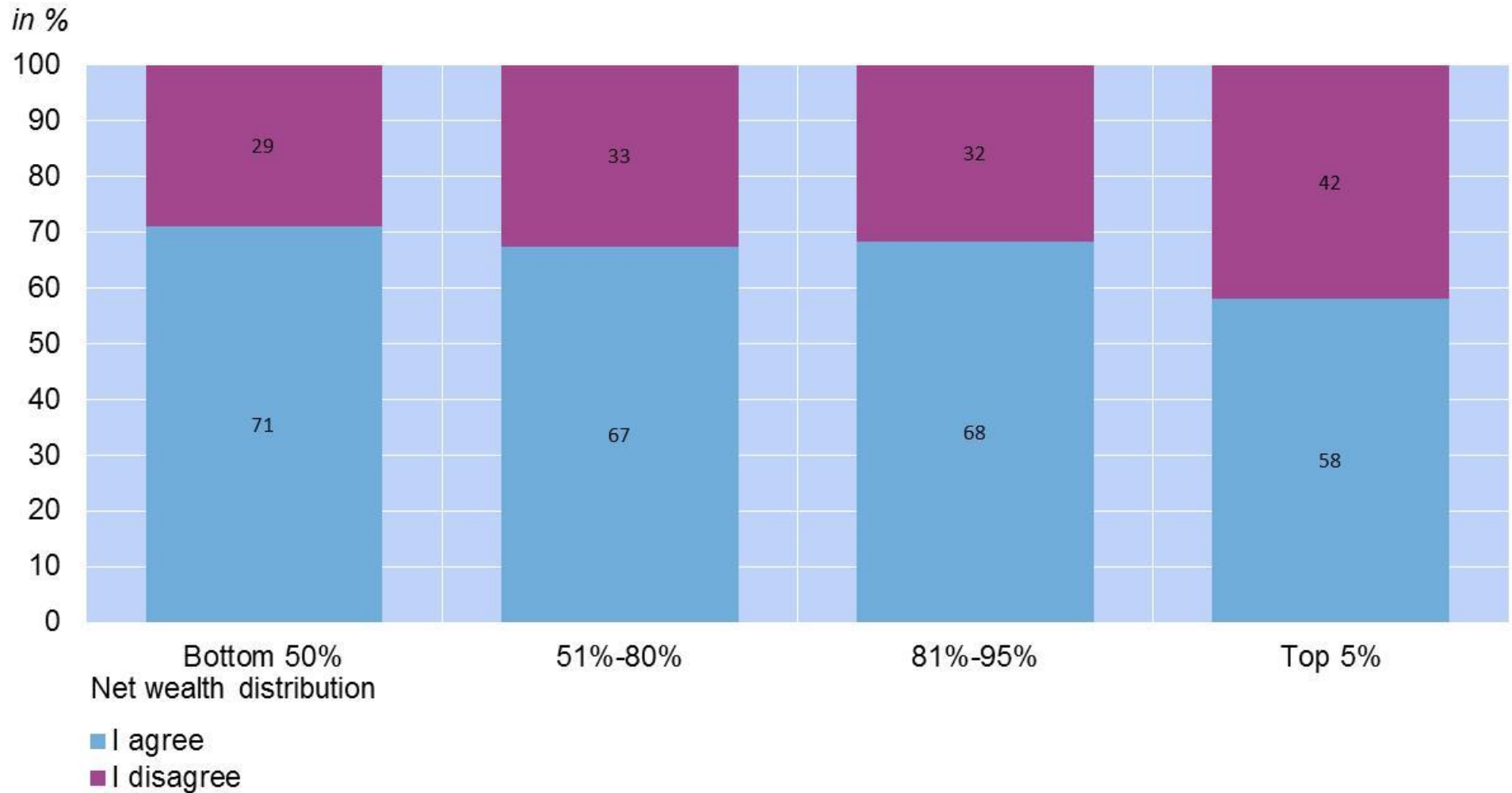
How much wealth do you believe do the bottom 50%, the Top-10%, the Top-1% hold?

"In general, too large wealth inequality is dangerous for democracy"



Source: HFCS Austria 2014.

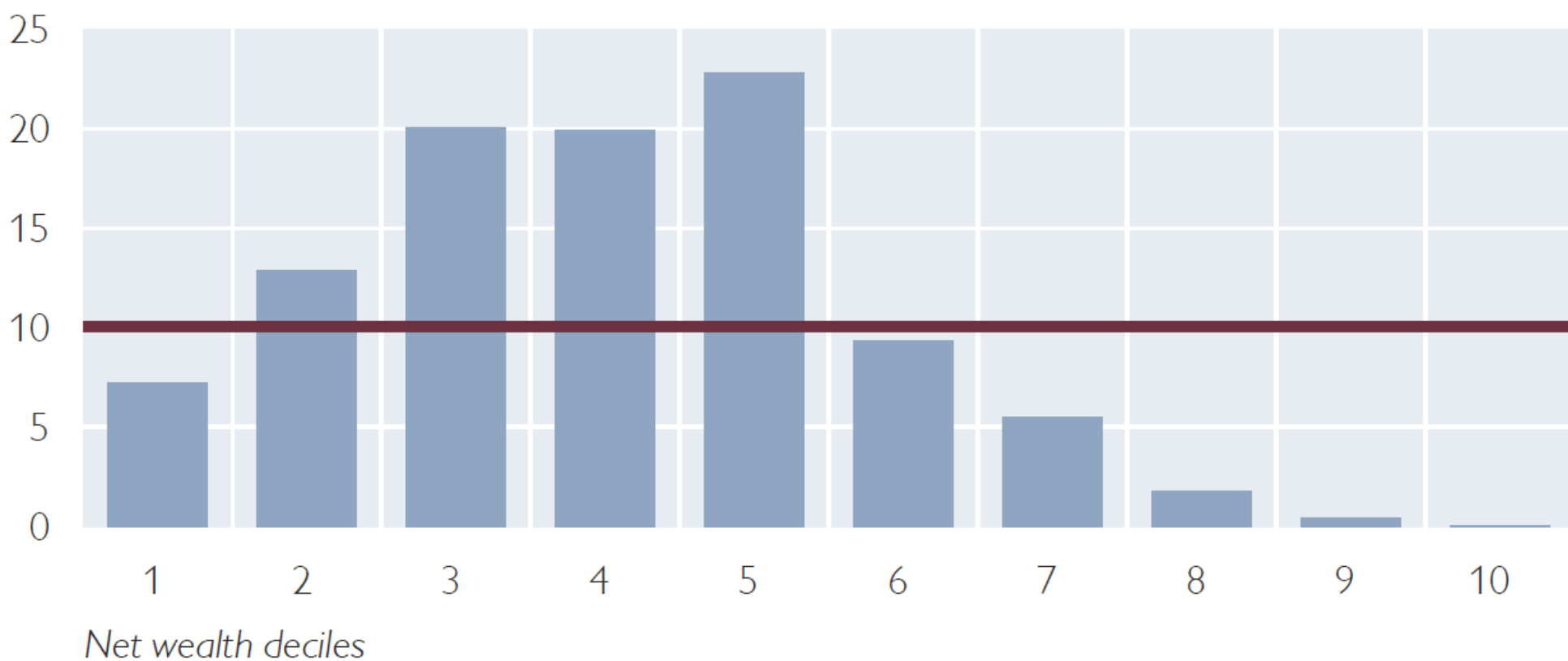
"In Austria, the existing wealth inequality is dangerous for democracy"



Source: HFCS Austria 2014.

Self-assessment of household's position in net wealth distribution

% of households

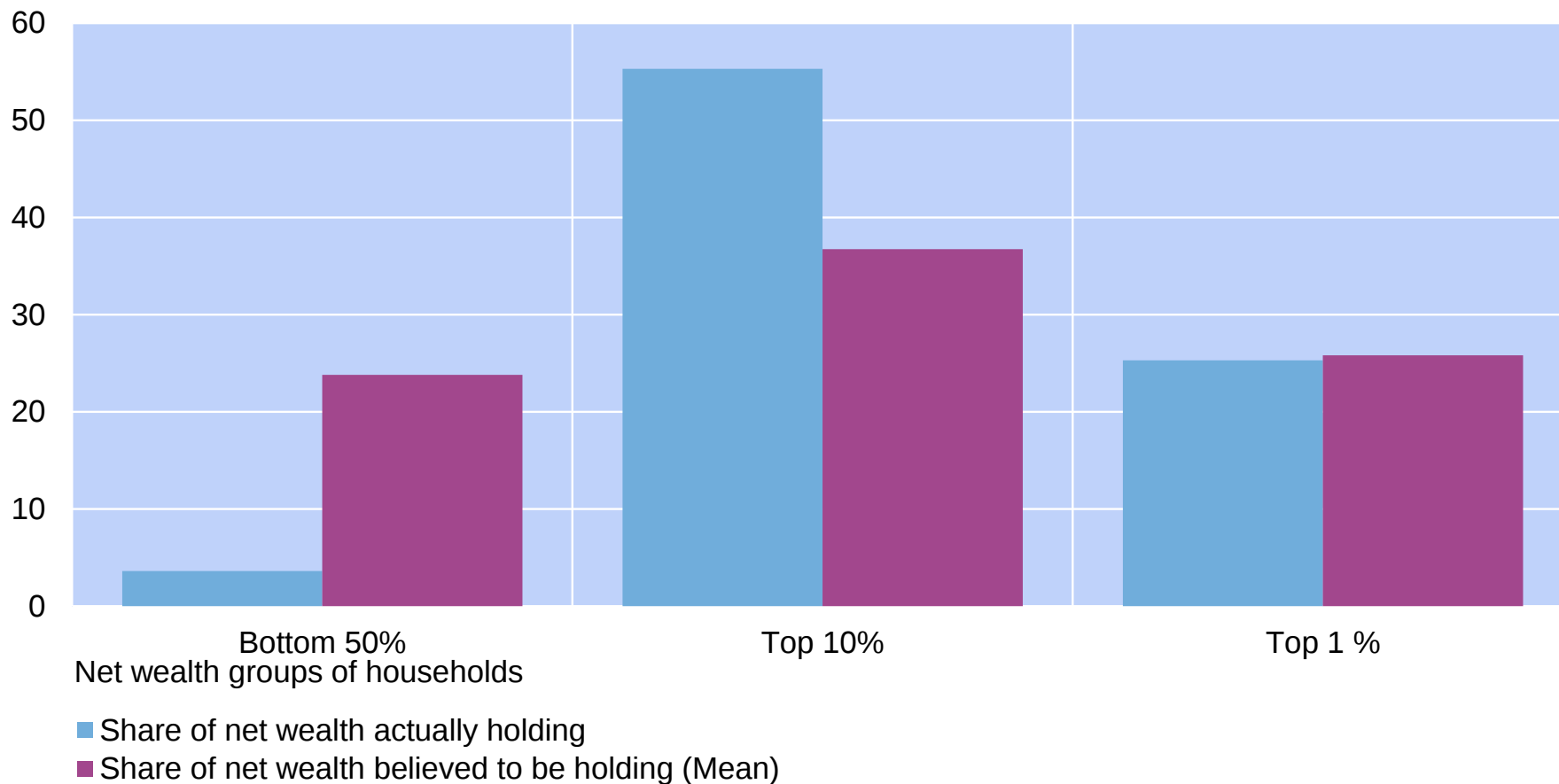


Source: HFCS Austria 2014, OeNB.

Perception of wealth inequality?

Distribution of net wealth

in % of total net wealth



Source: HFCS Austria 2014.

Judgements on wealth inequality

Judgments on wealth inequality?

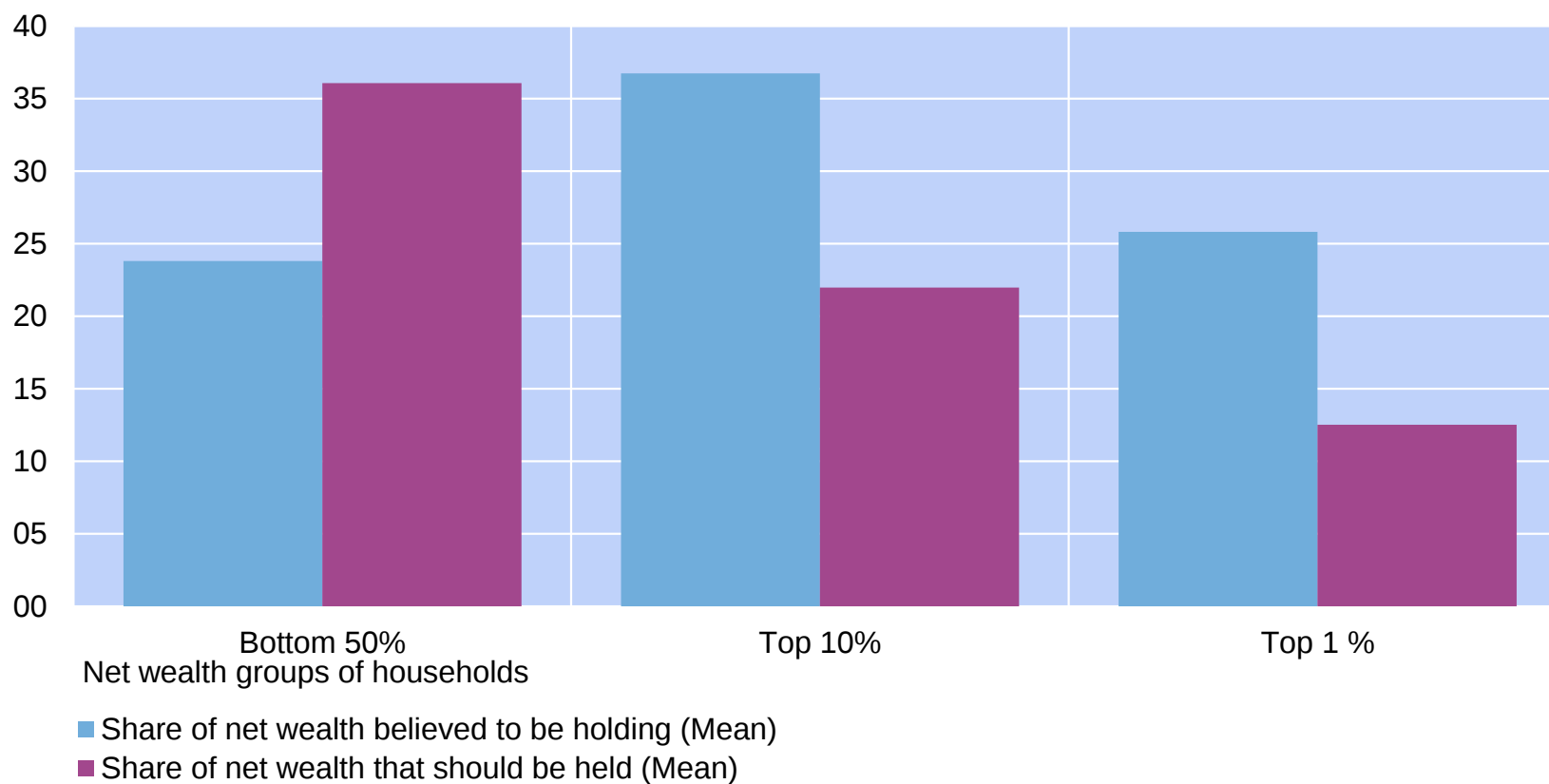
HFCS-Question:

How much wealth do you believe should the bottom 50%, Top-10%, Top-1% hold?

Judgments on wealth inequality?

Distribution of net wealth

in % of total net wealth



Source: HFCS Austria 2014.