

Distributional Financial Accounts in Europe, 1995-2018

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Abstract

This study presents the first Europe-wide data set of distributional financial accounts from 1995 until 2018. Combining and harmonizing national accounts, individual tax records and wealth surveys, we build wealth distribution series and their asset decomposition ensuring 100% consistency with the UN System of National Accounts. Our estimates cover a longer time frame and are better at capturing the top of the wealth distribution than existing survey-based series. This new data set can be useful to better understand the drivers of wealth accumulation and wealth inequality, including the distributional implications of fiscal and monetary policy.

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The distribution of wealth in Europe has been at the center of many political and economic debates, yet data on the topic remain scarce. The goal of our paper is to fill this gap, by providing consistent, harmonized data on the distribution of household wealth covering most European countries since the mid-1990s.

Historically, the measurement of the wealth distribution has always been less developed than the measurement of the income distribution. As a result, much less is known on the distribution of wealth and its drivers than on income. In recent years, there has been a surge of research on the topic. Several studies have applied indirect ways of measuring the distribution of wealth by using capital income tax data (the capitalization method) or inheritance tax data (the estate multiplier method). However, not all of these studies use a consistent wealth concept, limiting direct comparability.

In addition to these studies, official estimates remain limited in scope. Unlike in, say, the United States, there is no long-running survey on the distribution of household wealth. In fact, until recently, many European countries did not attempt to measure the distribution of wealth at all. The situation has evolved thanks to the impetus of the European Central Bank, which in the 2010s started to conduct a regular survey of household wealth using a harmonized wealth concept. These statistics, however, have limits. The survey methodology (for example in terms of oversampling) varies widely between countries, which makes the direct comparability of estimates difficult.

Our approach is to take a step forward and combine all these data sources (i.e, individual tax records, wealth surveys) to overcome the limits that they face individually. In some countries, we still face many difficulties in appropriately measuring wealth inequality. Nonetheless, we believe that our series are more complete, consistent and robust than pre-existing ones.

While the process to construct our estimates varies from country to country, depending on data sources available, we tend to follow the same process. First, we collect estimates of wealth based on various types of administrative data. The most appropriate source can vary from country to country, depending on the tax systems and institutional settings. In some countries, we have direct access to wealth tax data or tax registers. In others, we use inheritance tax data, or capital income tax data.

These data are usually good at capturing the bulk of household wealth, but they often miss certain types of assets or use inconsistent statistical units. Hence, we complement the administrative data using surveys to correct the statistical units and account for missing assets.

Finally, we collect aggregate household wealth data disaggregated by asset class based on the UN System of National Accounts. We systematically calibrate our wealth distribution

series to match total household wealth in national accounts. Our series are thus 100% consistent with national accounts and fully comparable across countries and across time.

We find that wealth concentration is higher than previously shown using survey-based estimates. The main reason is that surveys tend to capture only a relatively small share of financial assets that are more important at the top of the wealth distribution.

The new data set can be used to better understand the drivers of wealth accumulation and wealth inequality. In particular, these new series can be useful to analyze the distributional consequences of fiscal or monetary policy for which a sufficient long time frame is needed. Moreover, the data set can also be use to run counterfactual simulations and projections to for instance study the impact of the COVID-19 crisis on wealth inequality. We plan to include some of these applications in a future version of this study.