Trends in wealth concentration from a comparative perspective

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An underresearched dimension of comparative & wealth research

Explanations of trends in wealth concentration:

▶ $\text{r} > \text{g}$ (Piketty 2014)
▶ Income and savings inequality (Saez & Zucman 2016)
▶ Housing prices (Adkins et al. 2020, Ansell 2019, Rognlie 2016)
▶ Financial asset prices (Kuhn et al. 2020)

Previous country comparisons:

▶ Institutions matter for income inequality (welfare regimes, VoC, growth models)
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1. How do trends in wealth concentration compare across countries?
   ▶ Descriptive evidence from LWS and WID
Data

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Income and wealth concentration in comparison

The chart illustrates the concentration of income and wealth for various countries in comparison. It shows the share of the top 1% in income and wealth for the years 1995 and 2020. The countries listed are the USA, Estonia, Austria, Luxembourg, Germany, Sweden, Canada, Spain, Slovenia, Norway, Australia, Greece, United Kingdom, Italy, Finland, and Slovakia.
Change of income and wealth concentration in comparison

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Comparative Economic Inequality Conference
Income and wealth concentration in comparison 1995-2020

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Average portfolio of the top 5% 2012-2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Housing equity</th>
<th>Financial assets</th>
<th>Business assets</th>
<th>Other wealth</th>
<th>Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>0.8</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Austria</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Germany</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Canada</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Spain</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Norway</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Australia</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Greece</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>USA</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Italy</td>
<td>USA</td>
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<td>0.8</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Finland</td>
<td>USA</td>
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<td>0.8</td>
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</tr>
<tr>
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<td>0.4</td>
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<td>0.0</td>
</tr>
</tbody>
</table>
Decomposition of changes in top 5% wealth shares
Changes in top 5% wealth shares and asset shares

Housing equity

Financial assets

Business assets

Other wealth

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## Country level panel regressions

<table>
<thead>
<tr>
<th></th>
<th>Top 1% (1)</th>
<th>Top 1% Income share</th>
<th>(2)</th>
<th>Gini Income (3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock market capitalization to GDP</td>
<td>-0.01</td>
<td>0.03</td>
<td>0.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock market capitalization to GDP</td>
<td>(0.11)</td>
<td>(0.12)</td>
<td>(0.14)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real house prices</td>
<td>-0.27*</td>
<td>-0.28**</td>
<td>-0.45*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real house prices</td>
<td>(0.10)</td>
<td>(0.09)</td>
<td>(0.16)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeownership rate</td>
<td>-0.01</td>
<td>-0.18</td>
<td>-0.11</td>
<td>-0.30***</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>-0.05</td>
<td>0.24*</td>
<td>-0.03</td>
<td>0.31*</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>(0.15)</td>
<td>(0.11)</td>
<td>(0.23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-year bond yield</td>
<td>0.05</td>
<td>-0.25</td>
<td>0.20</td>
<td>0.01</td>
<td></td>
</tr>
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<td>(0.15)</td>
<td>(0.13)</td>
<td>(0.20)</td>
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<tr>
<td>Country fixed effects</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Year fixed effects</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Num. obs.</td>
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<td>262</td>
<td>262</td>
<td>262</td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.50</td>
<td>0.23</td>
<td>0.42</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>Num. groups: country</td>
<td>15</td>
<td>15</td>
<td>15</td>
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<td></td>
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<td>26</td>
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- Changes in income concentration uncorrelated with changes in wealth concentration (across & within country)

- Housing prices have - if anything - a negative effect

- Importance of finance in some countries, but no uniform trend

- Previous comparative work doesn’t help much either:
  - Existing frameworks don’t map on the trends observed
  - Housing explains heterogeneity in the cross-section but not in longitudinal trends

The importance of the national context?

- But: there are some similar patterns - do we need new comparative typologies?
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