

Wealth Concentration in Latin America: sources, methods, and evidence

Part I

Perspective from the developed world

Part II

Focus on Latin America

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The distribution of *personal wealth* is receiving a great deal of attention...

...after being neglected for many years

- **US** (Kopczuk-Saez, 2004; Saez-Zucman, 2016, 2019)
- **France** (Garbinti-Goupille-Piketty, 2017)
- **UK** (Alvaredo-Atkinson-Morelli, 2017, 2018)
- **Spain** (Alvaredo-Saez, 2010; Martínez Toledano, 2018; Alvaredo-Artola, forthcoming)
- **Italy** (Acciari, Alvaredo, Morelli, 2021, 2023)
- **Denmark, Belgium, Germany, Sweden, Switzerland**
- **Credit Suisse** (Shorrocks and Davis), Allianz, Merrill Lynch, UBS,... reports
- **ECB/ONS/FRB** network of wealth surveys, and related papers and reports
- **OECD *Guidelines for Micro Statistics on Household Wealth*** and Database
- **Luxembourg Wealth Study**
- **World Inequality Report**
- Etc...

The Economist

Brassed off with Donald Trump

China's forgotten migrant workers

Pushing the limits of luxury

Alibaba's Amazon envy

NOVEMBER 30TH - DECEMBER 6TH 2019

Inequality illusions

Why wealth and income gaps are not what they appear



December 2019

November 2016

CREDIT SUISSE 

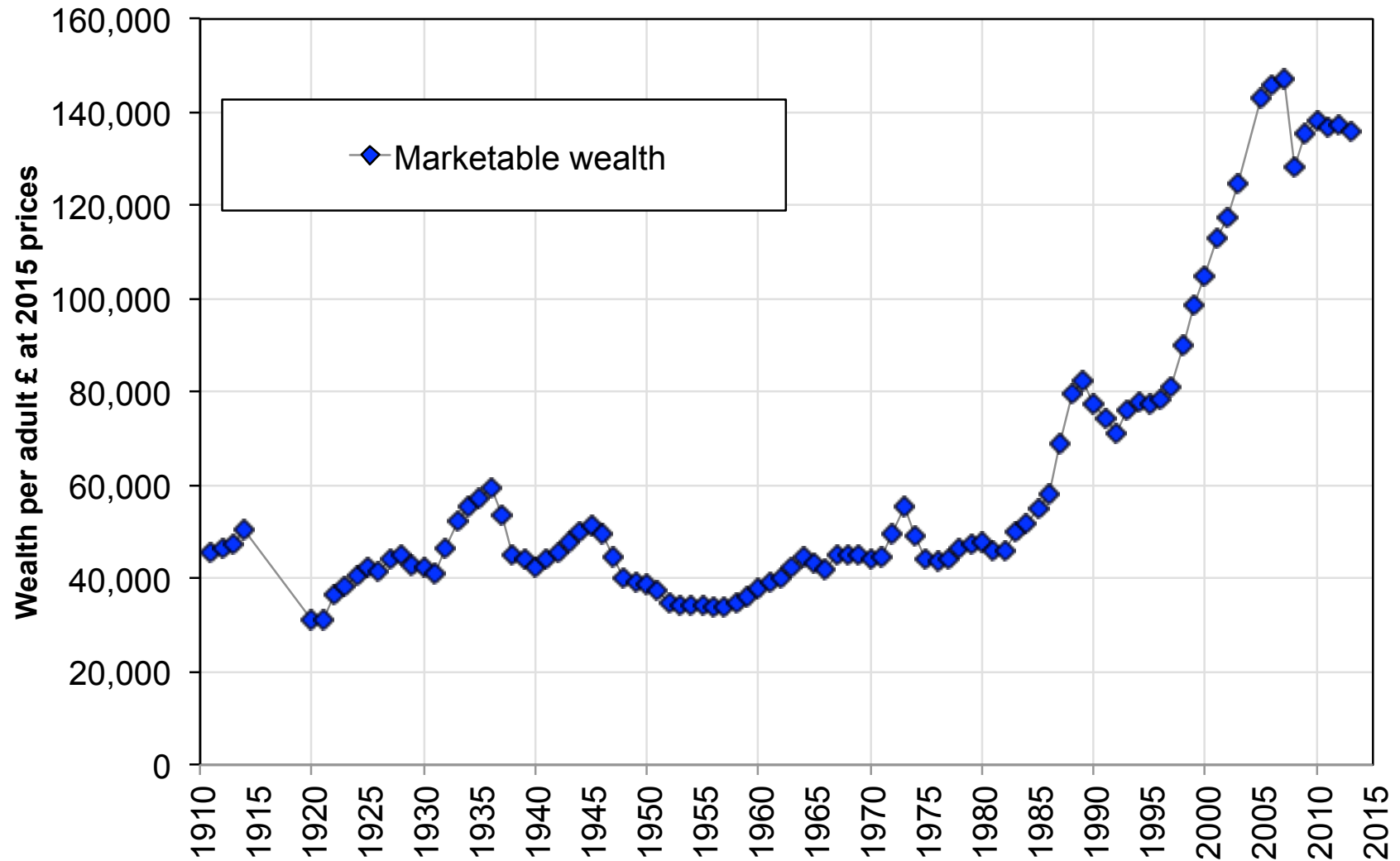
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Reason: average *personal wealth* has increased substantially

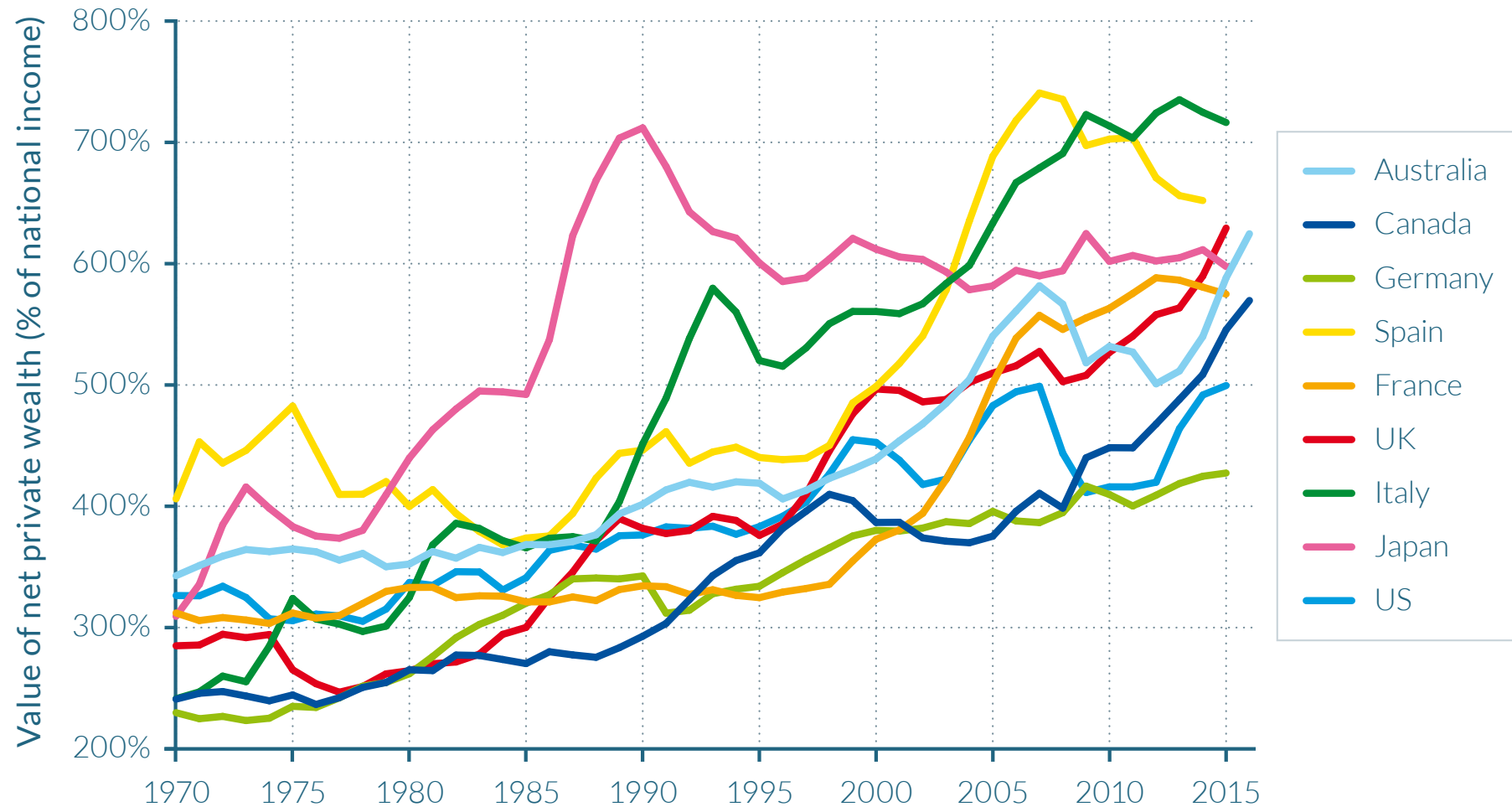
E.g.: UK



Source: Alvaredo, Atkinson and Morelli (2018)

Reason: the ratio of private *wealth* to *income* has been rising

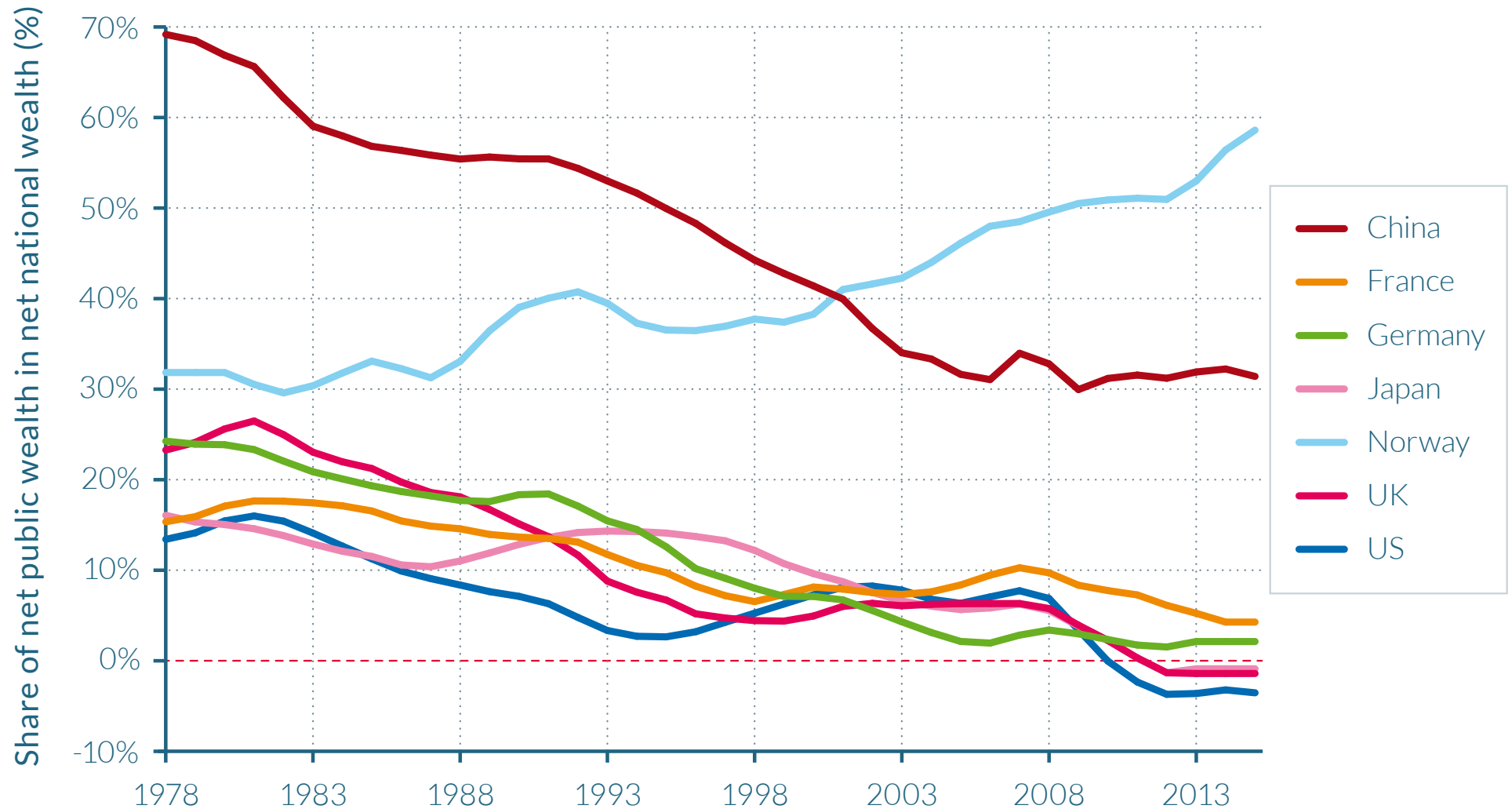
Net private wealth to net national income ratio in rich countries, 1970–2016



Source: WID.world (2017). See wir2018.wid.world for data series and notes.

Reason: the ratio of *public wealth* to *income* has been declining (cont.)

The share of public wealth in national wealth in rich countries, 1978–2015



Source: Piketty, Yang and Zucman (2017). See [wir2018.wid.world](#) for data series and notes.

Five potential sources of evidence

1. Multiplied-up inheritance data  *“Estate Multiplier Method”*

2. Household surveys

3. Registers or tabulations from wealth tax

4. Multiplied-up capital incomes  *“Capitalization Method”*

5. Rich Lists (*Forbes*, *Sunday Times*; “undisclosed” methods)

- [Census data] [Property taxes data] [cadastral information]

- [Combination of sources]  *“Hybrid methods”*

Sources of evidence about the distribution of *personal wealth*

<i>Potential sources</i>	<i>UK</i>	<i>US</i>	<i>France</i>	<i>Italy</i>	<i>Spain</i>
1. Household surveys	✓ 1950s. WAS since 2006	✓ 1960s. SCF since 1983	✓ Enquête Patrimoine Since 1986	✓ SHIW	✓ EFF since 2002
2. Estates/inheritance	✓ Since 1895	✓ Since 1916	✓ Scattered	✓ 1995-2016	✗ 1901-1960
3. Capital incomes from income tax	✓ higher level of detail desired	✓	✓	✗ Not public	✓ Since 1982
4. Registers from wealth tax	✗	✗	✓ Irregular from 1982	✗	✓ Since 1981
5. Rich lists	✓ ST since 1989 Forbes	✓ Forbes since 1982	✓ Forbes Challenges	✓ Forbes	✓ Forbes El Mundo

What is wealth?

- Usually, academic work is concerned with the distribution of personal wealth, or net worth:
 - The value of assets owned by individuals, net of their debts
 - Assets include financial assets (cash, bank accounts, bonds, and company shares) and real assets (houses, farmland, consumer durables, household business assets)
 - Net wealth does not include future wages, pension rights, or future government transfers (social security benefits that are not marketable)
- **Personal wealth** + wealth of non-profit institutions = **Private wealth**
- **Private wealth** + **Public wealth** = **National wealth**

Definitions are important, but often ignored

Unit of analysis:

- individual (estates)
- tax unit (some income tax data)
- household (survey data)
- extended family (rich lists).

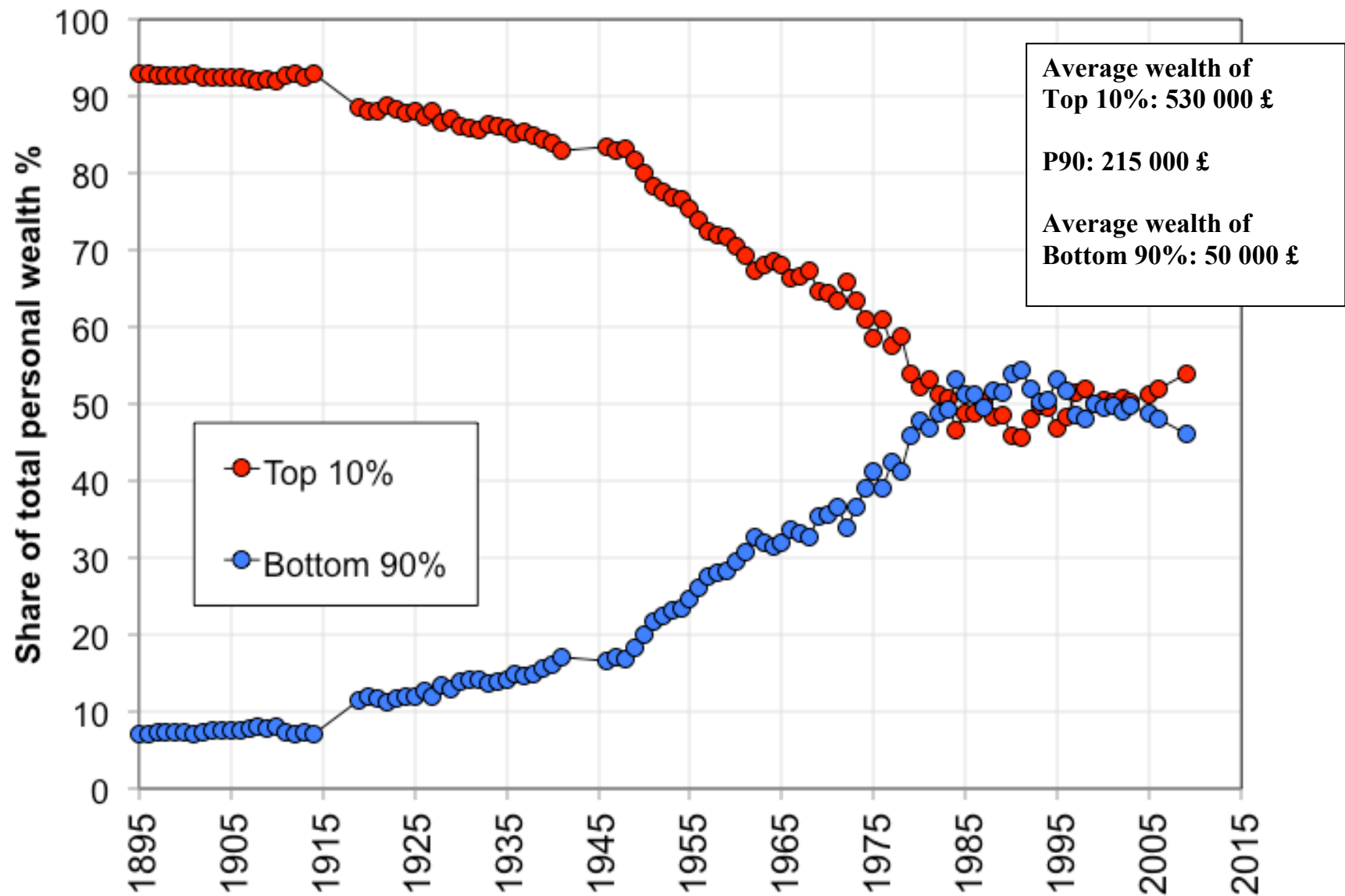
Valuation:

- realisation (market) value
- going concern value

Geographical coverage:

- domicile
- residence
- presence.

UK: Top 10% and bottom 90% *wealth* share since 1895 (inheritance)

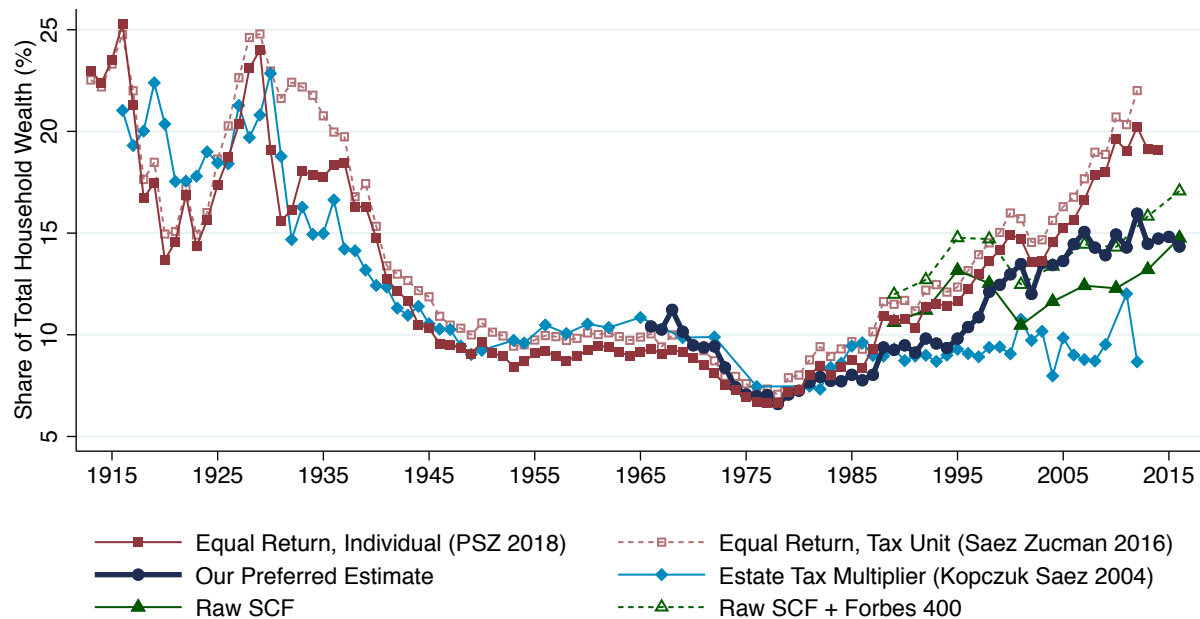


Source: Alvaredo, Atkinson and Morelli (2018)

Comparison of estimates across methods and debates. E.g. US

Figure 1: Wealth Concentration in the United States

A. Top 0.1% Share of Total Wealth



- Agreement about the past
- Disagreement about the present
- Confusion between “concentration” and “centralization” due to the lack of theory

Source: Smith, Zidar and Zwick, 2020

Table 6-5: Wealth shares and minimum wealth of deciles and top percentiles for regions and selected countries, 2016

Country	Wealth decile									Top		
	1	2	3	4	5	6	7	8	9	10%	5%	1%
I Wealth shares (%)												
Australia	-0.3	0.6	1.3	1.6	3.0	6.1	8.8	11.1	15.4	52.7	40.6	22.0
Austria	-0.7	0.1	0.4	0.8	1.8	3.6	6.0	8.9	14.4	64.8	52.1	29.5
Belgium	-0.1	0.3	1.0	2.9	4.8	6.5	8.7	11.6	16.2	48.2	35.9	17.9
Brazil	0.0	0.1	0.4	0.9	1.7	2.7	4.1	6.1	9.9	74.2	65.2	47.9
Canada	-0.2	0.1	0.4	1.3	2.7	4.6	7.1	10.5	15.8	57.8	45.3	25.6
Chile	-0.1	0.2	0.6	1.2	2.0	3.1	4.5	6.6	10.6	71.4	61.8	43.5
China	-0.1	0.3	0.6	1.0	1.7	2.7	4.0	6.1	10.6	73.2	63.2	43.8
Colombia	0.0	0.1	0.6	1.3	2.4	3.8	5.7	8.5	13.7	63.9	52.3	32.6
Czech Republic	-0.1	0.3	1.0	1.9	2.9	4.1	5.4	7.2	11.1	66.4	56.7	38.6
Denmark	-12.6	-3.0	-1.1	0.0	0.9	3.4	7.0	11.8	19.9	73.7	56.8	31.2
Finland	-0.8	0.1	0.3	1.1	2.6	4.5	6.6	9.3	13.9	62.4	50.8	31.0
France	-0.1	0.1	0.4	1.2	2.9	5.3	7.7	10.6	15.5	56.4	44.1	24.8
Germany	-0.5	0.1	0.3	0.8	1.7	3.2	5.5	9.1	14.9	64.9	52.3	31.5
Greece	-0.1	0.2	1.3	2.9	4.5	5.9	7.6	9.7	14.1	54.0	42.5	24.3
Hungary	-0.2	0.4	1.6	3.0	4.8	6.6	9.0	11.8	15.8	47.1	35.2	17.6
India	-0.7	0.2	0.5	0.8	1.3	2.0	2.9	4.5	7.8	80.7	73.4	58.4
Indonesia	-0.1	0.1	0.4	0.9	1.5	2.3	3.5	5.7	10.0	75.7	66.8	49.3
Ireland	-3.1	0.0	0.2	0.8	2.7	4.7	6.8	10.3	15.2	62.5	49.1	28.0

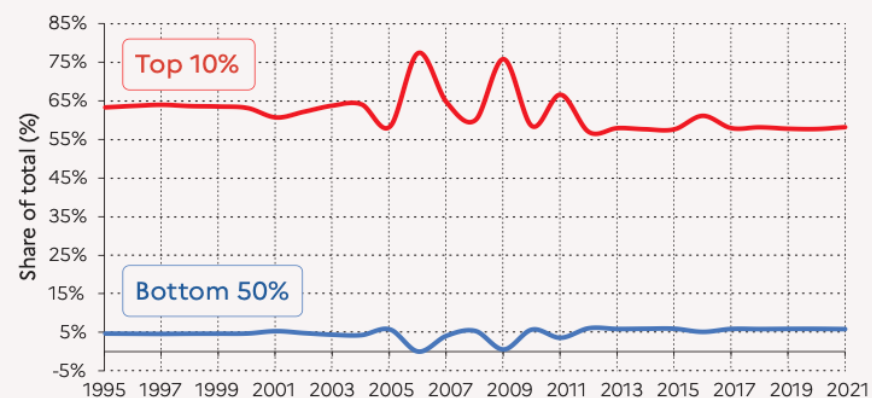
■ Wealth inequality maintained at an extreme level

Average household wealth has more than doubled in Argentina since 1995 but wealth inequality has remained at very high levels, with a top 10% wealth share oscillating between 60 and 70%. In 2021, the top 10% owns €PPP180,300 (ARS 11,903,540) on average, while the bottom 50% own €PPP3,500 or ARS234,090 (less than 6% of the total) in 2021. Argentinian wealth inequality is slightly lower than in the rest of Latin America but remains very high from an international standpoint.

■ Gender inequality

World Inequality Report 2022

Figure 2: Wealth distribution in Argentina, 1995-2021



Interpretation: In 2021, the wealthiest 10% of the population own 58% of total household wealth. Household wealth is the sum of all financial assets (e.g. stock, bonds) and non-financial assets (e.g. housing), net of debts.

Sources and series: wir2022.wid.world/methodology.

■ Extreme levels of wealth inequality, still on the rise

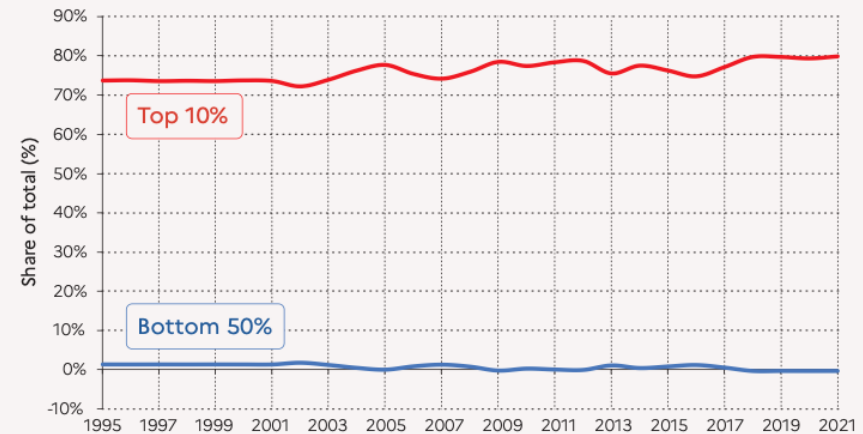
Wealth inequality in Brazil is also among the highest in the world. In 2021, the poorest half of the population does not own wealth (compared with 6% in Argentina, for example), whereas the top 1% of the population owns about half of total wealth. Available data suggests that wealth inequality has increased since the mid-1990s in a context of financial deregulation and no major tax reform.

■ Gender inequality

In Brazil, the female labor income share is equal to 38.5% of all labor income. This is slightly higher

World Inequality Report 2022

Figure 2: Wealth distribution in Brazil, 1995-2021



Interpretation: In 2021, the wealthiest 10% of the population own 80% of total household wealth. Household wealth is the sum of all financial assets (e.g. stock, bonds) and non-financial assets (e.g. housing), net of debts.

Sources and series: wir2022.wid.world/methodology.