

# Wealth Concentration in Latin America

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# The paradox of data abundance

- Some organisations produce detailed and frequent estimates for every country in the region.
- But latin America is still struggling to exit pre-history regarding wealth data
- It can give the illusion of basic facts being well understood; but they are not

## Two questions

- ▶ How much wealth has accumulated in the region?
- ▶ How is it distributed across households?

# Our contribution to the literature

Making sense of contradicting statistics (*Database of databases*):

- ▶ Official estimates (surveys, national accounts)
- ▶ Global datasets (WIL, Credit Suisse, Forbes)
- ▶ Research papers (Historical and recent)
- ▶ Some new estimates

## Preview of results (1/2)

We distinguish solid facts (CHL, COL, URY, MEX, BRA):

- Wealth-to-income ratios between 5-3 in most recent years (↗)
- High inequality (but not highest): Top 1%  $\approx$  40%
- Surveys, are bad at measuring financial wealth
- Positive values of public wealth (unlike many rich countries)
- Tobin Q's are particularly low (MEX)

## Preview of results (2/2)

...from conjectures:

- Wealth inequality is probably high in other countries (based on capital income data)

... and speculation:

- Any statement about trends
- Our educated guess would be stability

# The new wealth inequality literature

## **Studies feature macro consistency, historical coverage, and better resolution at the top**

- ▶ Many on developed countries: USA ([Saez and Zucman, 2016, 2022](#)), UK ([Alvaredo et al., 2018](#)), France ([Garbinti et al., 2020](#)), Germany ([Albers et al., 2022](#)), Netherlands ([Toussaint et al., 2022](#)), Spain ([Blanco et al., 2021](#)), Switzerland ([Dell et al., 2007](#)), Europe ([Blanchet and Martínez-Toledano, 2022](#)).
- ▶ Few in developing contexts: South Africa ([Chatterjee et al., 2020](#)), China ([Piketty et al., 2019](#)), Russia ([Novokmet et al., 2018](#)), Latin America (?)

**...data-demanding (surveys, registers, NAs, and more)**

# Wealth Aggregates



## Defining wealth

National net wealth ( $W_{nt}$ ) equals:

$$W_{nt} = \underbrace{W_t}_{\text{Private wealth}} + \underbrace{W_{gt}}_{\text{Public wealth}} \quad (1)$$

Where net wealth can be divided into:

- ▶ Housing assets.
- ▶ Business assets (including other non-financial assets).
- ▶ Financial assets.
- ▶ Liabilities.

## Only a few official estimates are available

- ▶ Only one country reports full balance sheets: MEX (2003-2019)
- ▶ Some countries report macroeconomics financial assets and liabilities: BRA (2004-2019), COL (1996-2019), CHL(2004-2019)
- ▶ Some financial surveys are available: CHL (2007-2017), COL (2010-2018), MEX(2019), URY (2013)

## ...But we can fill some macroeconomic blanks

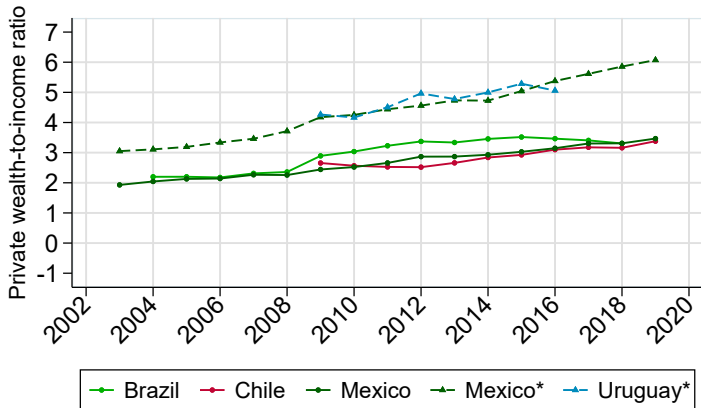
### New-ish estimates of non-financial assets

- ▶ Chile: [Flores et al. \(2018\)](#) is a good anchor giving a value to housing stock (2012-2017) based on cadastral data and hedonic prices. We extend their estimates using administrative data on construction permits and housing price indices.
- ▶ Brazil: [Reiff et al. \(2005\)](#) anchors our estimate on housing stock for 1999 (also hedonic but based on census data). Market values are derived from the National Household Surveys (PNADs for its acronym in portuguese), assuming a stable relation between the value of rents and the price of housing

### Building balance sheets from scratch in URY ([De Rosa, 2022](#))

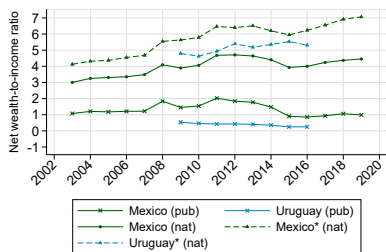
- ▶ Cadaster administrative data, firm's tax records, household wealth survey, among others.

## How rich are (some) Latin American countries?

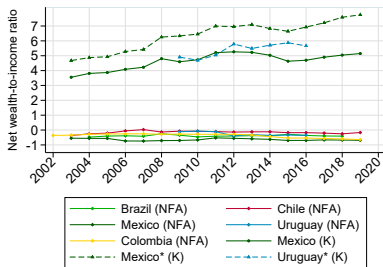


**Notes.** Series with (\*) indicate book value net wealth, solid lines indicate market values

# Further insights on aggregates



(a) Public wealth is positive

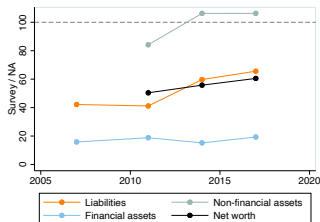


(b) Negative foreign asset positions

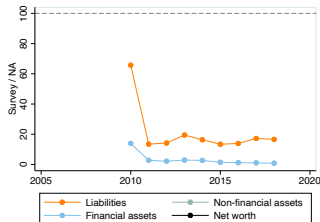
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# Surveys cover very little

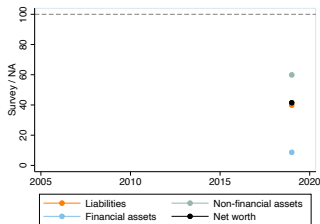
(a) Chile



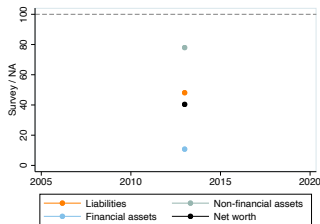
(b) Colombia



(c) Mexico



(d) Uruguay



**Notes.** Own estimates based on household financial surveys.

## (Net) Wealth Inequality

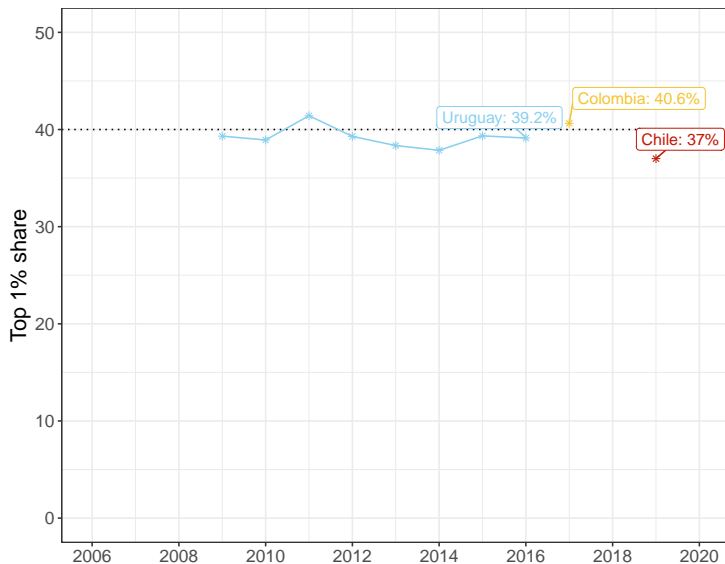
# Literature on Latin American wealth inequality

We group articles into two categories:

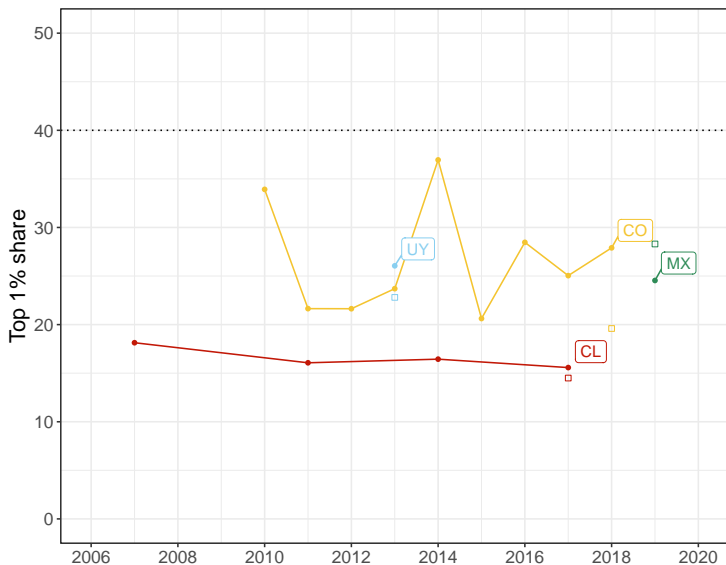
1. Postcolonial wealth inequality (commented in the paper).
  - ▶ Single asset (e.g., land, slaves, cattle).
  - ▶ Inequality at least as high as today.
2. **Recent estimates:**
  - ▶ Benchmark: Studies using administrative data.
  - ▶ Survey-based inequality.
  - ▶ Global inequality estimates.



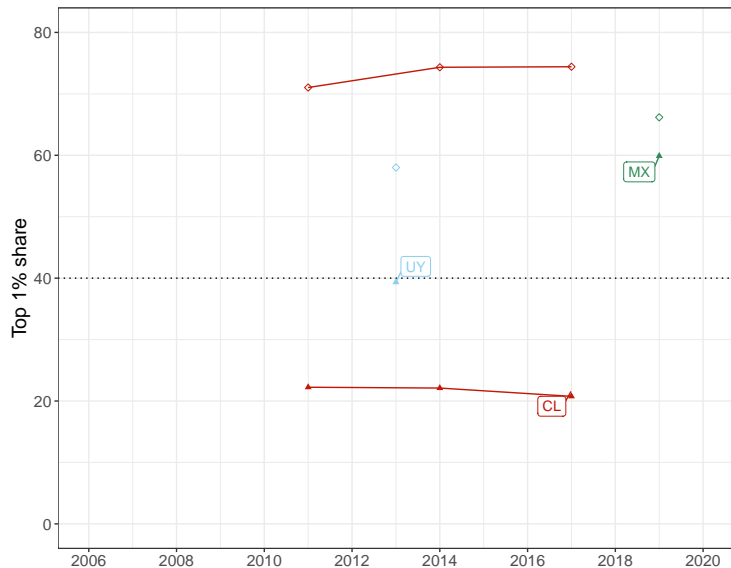
The 40% line is a good reference for the top 1%



# What do financial surveys have to say?

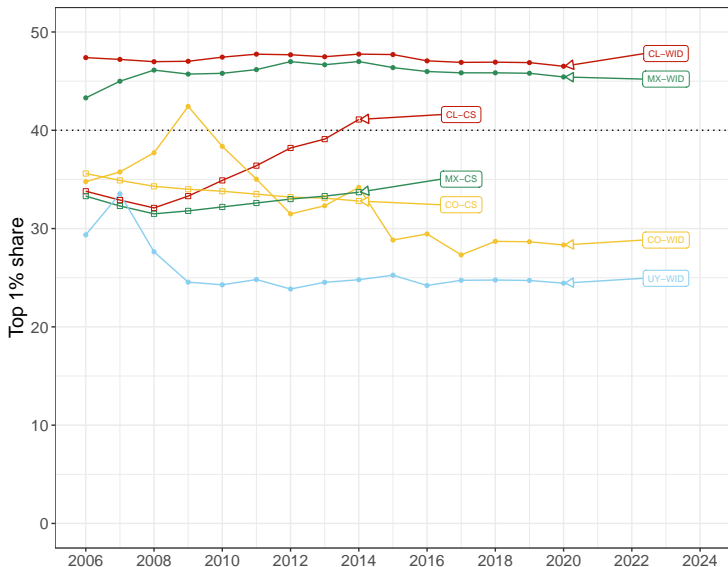


## Are there any shortcuts?



Filled markers: scaled to NA  
Hollow markers: imputed financial assets

# Are extrapolations and ML techniques any better?



## Concluding remarks

- ▶ It seems like there is no way around hard work. We need more and better primary data.

## Results

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# Appendix

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## Wealth surveys in Latin America

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