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
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% ≈ 40%
- Surveys, are bad at measuring financial wealth
- Positive values of public wealth (unlike many rich countries)
- Tobin Q’s are particularly low (MEX)
...from conjectures:

- Wealth inequality is probably high in other countries (based 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:

$$W_{nt} = W_t + W_{gt}$$

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)
...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

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

- Chile: 37%
- Colombia: 40.6%
- Uruguay: 39.2%
What do financial surveys have to say?

Very sensitive to treatment of negative values (Gini too)

One way or another, they are off
Are there any shortcuts?

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

Uruguay gave us the intuition
Closer to the benchmark, but marginally for MX and CL
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

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%
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- Tobin Q’s are particularly low (MEX)

...from conjectures:

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Appendix
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References I


References II


References III


Wealth surveys in Latin America

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Mexico (2019).
  ▶ Encuesta Nacional sobre las Finanzas de los Hogares (ENFIH).
Uruguay (2013).
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