I would like to start by thanking the organisers and Federico for inviting me to offer comments on these five very interesting papers. To provide a framework for my comments, let me mention an ongoing initiative that is closely related to the main theme of this session. The European Central Bank and the national central banks composing the Eurosystem are currently collaborating on the design of a survey on household finances and consumption, which, if finally approved, will be conducted across the euro area in the near future. The initiative is designed to provide a multidimensional picture of the financial decisions taken by households in multiple areas such as indebtedness, financial holdings, real estate, consumption, income, savings, future pension entitlements, intergenerational transfers, etc. Such an ambitious undertaking requires a careful analysis of the conceptual and practical difficulties linked to survey design and future field work. How to oversample wealthy households was one of the most challenging issues in this regard, especially since the decision on whether to oversample, as well as the choice of method, could affect cross-country comparability.

In analysing how to overcome such difficulties, the experience of existing surveys has proved to be extremely useful. Among the surveys currently in place within the euro area, the three authors in today’s panel provide examples of ones being conducted by the Banco de España, the Banca d’Italia and the Banco de Portugal. In terms of efforts under way outside the euro area, Arthur Kennickell (who also provides consultancy advice to the network of experts currently developing the Eurosystem survey) spoke today about the survey that the Fed has been conducting since the 1980s. Finally, although not present today, Daniel Waldenström, from Sweden’s Institutet för Näringslivsforskning, has also provided a paper for this session on which I would like to offer a few comments.

Turning to the main theme of this session, the papers presented in this session have provided good arguments for why an adequate coverage of the wealthy in this kind of survey is indispensable. To illustrate how important this can be, let me select a couple of figures from the papers. According to Olympia Bover’s paper, 0.4% of the population of Spanish households holds 40% of total taxable wealth in Spain, while according to the Spanish survey (EFF), 10% of the population holds 42% of total wealth. This wealth concentration is also present in the US, where roughly 1% of the population holds one third of total wealth. In analysing how such an accumulation of wealth may affect the selection of a proper sample for income and wealth surveys, Arthur Kennickell’s paper notes that in a sample randomly selected from US households, based purely on geographical criteria, only 27 cases out of more than 3,000 observations would correspond to the wealthiest 1% of households in the US. In the light of these various statistics, it could be assumed that such a sample would provide rather poor results for purposes of a wealth survey.

In this regard, one of the first and most basic questions is which variable to use to identify wealthy households. One of the difficulties of identifying this group is that the most essential
variable (ie household wealth) is, paradoxically, the very one that these surveys are intended to measure. Consequently, other approaches are required in order to determine which doors to knock on – the starting point of field work for wealth surveys.

Olympia Bover's paper outlines what I would describe as a nearly ideal situation. Benefiting from the existence of a wealth tax in Spain, the Banco de España has collaborated with the tax authorities (as well as with the Statistics Office) to design a sample frame that makes it possible to oversample the wealthy. It can always be argued that wealth surveys should attempt to obtain from respondents information that they may be reluctant to reveal to tax authorities, ie tax information may not be the best means of identifying the wealthy – or, at least, of identifying all of the wealthy. However, the existence of this wealth tax in Spain – which is the subject of periodic political debate as Daniel Waldenström also notes in the case of Sweden – and the successful collaboration between the Banco de España and the Spanish tax authorities is an enviable situation. Since a panel component has been introduced in the latest wave of this survey, I would be interested to know whether it has been substantially more difficult convincing the wealthy to participate in the second wave of the survey than is the case with other wealth classes – a factor that seems to be relevant to the absence of a panel component in the US Survey of Consumer Finances (SCF). Perhaps the author can provide some preliminary results as an answer to this question.

In contrast to the Spanish case, countries that do not have this type of wealth tax, such as the US, must find alternative approaches. The paper presented by Arthur Kennickell describes the relatively sophisticated method applied by the Fed to select the sample population in the US. This combines a national frame, based on geographical areas, with a list sample designed to oversample households that are likely to be relatively wealthy. To select such households, information on capital income flows, obtained from individual income tax returns, are used in collaboration with tax authorities (as in the case of the Spanish survey). These are subsequently complemented by anonymised data from previous rounds of the survey. In speaking of “households that are likely to be wealthy”, the author implicitly accepts the potential lack of correspondence between (capital) income and wealth. The correspondence between income and wealth was recently analysed in a presentation made by Markus Jäntti, Eva Sierminska and Timothy Smeeding at the Luxembourg Wealth Study conference, held in Rome in July 2007. The presentation, entitled “Presenting joint distributions of income and wealth”, was based on data relating to five countries (Sweden, Italy, Germany, Canada and the US) and concluded that despite substantial differences in the range of variation from one country to another – especially large in the case of the US – the correlation between disposable income and net worth was substantially higher in the US than in the other countries. From this one could conclude that, while highest levels of (capital) income might be an acceptable proxy to identify the wealthiest in the US, it may not work as effectively in other countries. Another interesting feature revealed by Arthur Kennickell's paper is the low response rate from the households selected through the second approach (ie the “list sample”), which seems to confirm the idea that convincing the most relevant respondents (the wealthy) to participate in these surveys is no small challenge.

While recognising the importance of oversampling the rich, the paper prepared by Rita Lameira, Carlos Coimbra and Luisa Farinha indicates that such an approach has not as yet been adopted by the Banco de Portugal, due to the fact that there is no stand-alone wealth survey. Instead, questions on wealth are introduced as an additional module in already existing surveys. It is hoped that a relatively large sample of respondents in these other surveys will, in part, compensate for the shortcomings – noted in the paper – such as the proportionally higher non-response rate and the tendency to underreport, typically associated with wealthy households. The paper provides good arguments for the need to look beyond macro data to understand the factors underlying spending behaviour and indebtedness by households in Portugal. The authors also make an attempt to adjust the survey results via a methodology that utilises additional information from census data, from national accounts and from the Bank of Portugal's loan-by-loan register of households’
borrowing. The survey figures, after the adjustment, still fall significantly below those provided by financial accounts (from approximately 60% of households’ total financial assets to less than 47% of households’ liabilities), as also appears to be the case in similar comparisons carried out in other countries such as Italy, Spain and the US. Users typically find it difficult to know which of the two sets of figures should be considered more accurate.

In the case of the comparison carried out in Portugal, do the authors suspect that there was insufficient adjustment for non-response and underreporting, or are there alternative explanations for such divergent figures? Given the potential benefits that oversampling the wealthy may have for such surveys (as acknowledged in the paper), it would also be interesting to know whether there are any plans to implement such a procedure in future rounds of the survey.

The paper authored by Leandro D’Aurizio, Ivan Faiella, Stefano Iezzi and Andrea Neri also begins by comparing macro (financial accounts) and micro (survey) figures, and attempts to explore one of the reasons behind the differences observed, namely, the natural tendency of respondents who agree to participate in the survey to underreport amounts. Such a tendency was confirmed by an exercise carried out with a sample consisting of customers of an Italian banking group. By comparing the banks’ administrative data and the results of the survey, it became evident that respondents intentionally or unintentionally tend to undervalue their assets and liabilities. The fact that these results arose from an exercise in which, as I understand it, the volunteers were made aware of the fact (or at least had reason to suspect) that their data could be cross-checked with data available to their banks raises the serious possibility that the underreporting in the case of the Italian Survey on Household Income and Wealth may be substantially more acute. Another interesting feature of the exercise is that, in addition to an analysis of the phenomenon based on financial instruments and different social classes (ordered by age, education, income, etc), it also makes it possible to isolate the effect of not declaring certain holdings (ie declaring zero holdings) from other cases in which respondents admit to holding certain assets but report lower amounts than actually held. This distinction might be important in gaining a sense of the difference between intentional and unintentional underreporting. Such a distinction may prove especially useful since one clear risk of such a complicated survey is that the increasing fatigue that presumably comes into play as the interview proceeds may cause respondents to (intentionally) deny that they possess certain assets, simply to shorten the duration of the interview. If non-response proves to be more intentional than unintentional, such a conclusion should trigger additional efforts, on the part of those responsible for designing the questionnaire, to find ways to lessen the substantial burden imposed on respondents.

Finally, the paper prepared by Daniel Waldenström looks at income and wealth concentration from a user perspective. It is interesting to see that, while the share of wealth corresponding to the richest 1% of the Swedish population has decreased substantially over the twentieth century (especially prior to the 1980s), thus contributing to a more widespread distribution of wealth, the same cannot be said for the population in the 90–99% range, whose share has remained much more constant over the period under study, confirming the importance of studying in detail the behaviour of different wealth strata. Additionally, the paper points out that, while the wealthy are primarily affected by changes in stock exchange prices, the rest of the population in the upper half of the wealth distribution is affected mostly by changes in real estate prices (a fact also confirmed by Rita Lameira’s paper on average Portuguese households). Without decomposing the analysis to a high level of detail (ie without accessing micro-level information), the resulting conclusions could be deemed incomplete and even somewhat distorted. One of the conclusions of the author is that realised capital gains have a role in economic inequality – a subject on which further information needs to be made available to researchers. Unlike the author, my view is that by measuring assets (as well as liabilities) at market prices and thus including both realised and unrealised capital gains (and losses) in households’ wealth, there should be sufficient
information for researchers to assess wealth (in)equality. Finally, the author defends the need to consider public and private pensions as part of wealth measurement – a point on which I would fully agree. In fact, the future Eurosystrem survey that I mentioned at the beginning will indeed attempt to cover future pension entitlements, despite the difficulties posed by considerable differences in pension schemes across euro area countries.

I should like to end by thanking the authors for these very interesting papers, as well as today's audience for your kind attention.