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journal homepage: [www.elsevier.com/locate/jpube](http://www.elsevier.com/locate/jpube)Top wealth shares in the UK over more than a century<sup>☆</sup>Facundo Alvaredo<sup>a,\*</sup>, Anthony B. Atkinson<sup>b</sup>, Salvatore Morelli<sup>c</sup><sup>a</sup> Paris School of Economics, France, Conicet, Argentina, and INET at the Oxford Martin School, United Kingdom<sup>b</sup> Nuffield College, London School of Economics, and INET at the Oxford Martin School, United Kingdom<sup>c</sup> The Graduate Center and Stone Center on Socio-Economic Inequality, City University of New York, United States

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## ABSTRACT

Recent research highlighted controversy about the evolution of concentration of personal wealth. In this paper we provide new evidence about the long-run evolution of top wealth shares for the United Kingdom. The new series covers a long period – from 1895 to the present – and has a different point of departure from the previous literature: we start with the analysis of the distribution of estates left at death. We find that the application to the estate data of mortality multipliers to yield estimates of wealth among the living does not substantially change the degree of concentration over much of the period both in the UK and US, allowing inferences to be made for years when this method cannot be applied. The results show that wealth concentration in the UK remained relatively constant during the first wave of globalization, but then decreased dramatically in the period from 1914 to 1979. The UK went from being more unequal in terms of wealth than the US to being less unequal. However, the decline in UK wealth concentration came to an end around 1980, and since then there is evidence of an increase in top shares, notably in the distribution of wealth excluding housing in recent years. We investigate the triangulating evidence provided by data on capital income concentration and on reported super fortunes.

## 1. Introduction: the distribution of personal wealth

Economists have recently focused on the distribution of personal wealth. There have been two main sources of impetus. One is the recognition of the importance in macro-economics of assets and liabilities, as demonstrated by the investments being made in launching household financial surveys, and by the renewed interest in balance sheets in national accounts. Another impetus has come from Thomas Piketty's *Capital in the Twenty-First Century*, in which he warned that the main driver of inequality – the tendency of returns on capital to exceed the rate of economic growth – today threatens to generate extreme inequalities. The debate generated by this book has turned the spotlight on the empirical evidence concerning the upper tail of the wealth distribution, and the importance of historical time series. As [Kopczuk \(2016, p. 2\)](#) has underlined, “estimates of the top wealth shares are

much less settled than those of the top income shares, and there is substantial controversy about how they have evolved in recent years.”

This paper presents new long-run evidence about top wealth shares – which we believe to be essential in understanding the evolution of the modern economy – for the United Kingdom (UK). It builds on the earlier line of research, summarized in [Atkinson and Harrison \(1978\)](#), and on the work of the official statisticians in Her Majesty's Revenue and Customs (HMRC), but has a different point of departure: we start with the analysis of the distribution of estates left at death, recorded in the administrative data required for estate taxation and the administration of estates. The information on estates has served for the estimation of the distribution of wealth among the living through the application of the mortality multiplier method, but has never been the object of specific analysis.

The evidence covers an extensive period, starting in the “Gilded

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\* Corresponding author.

E-mail address: [alvaredo@pse.ens.fr](mailto:alvaredo@pse.ens.fr) (F. Alvaredo).

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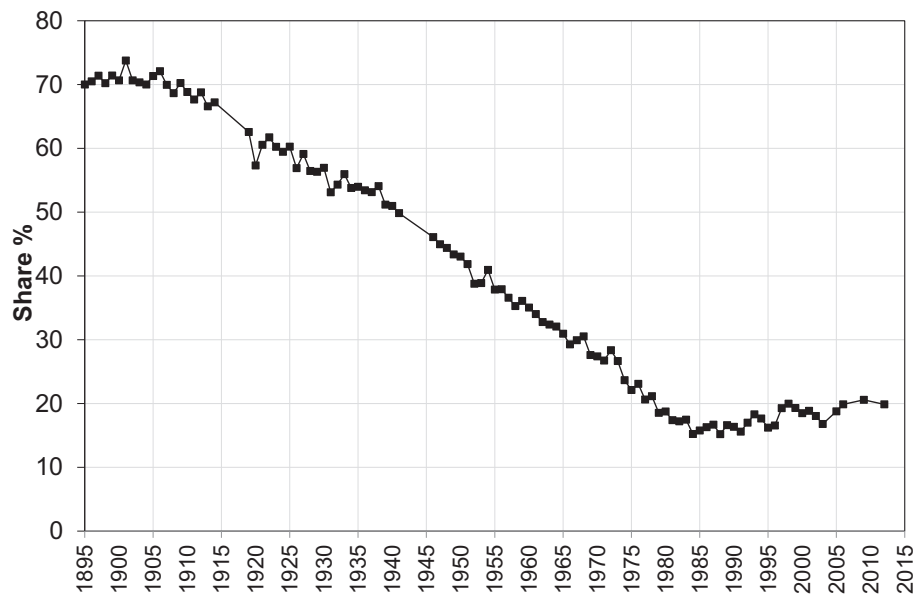


Fig. 1. Wealth share of top 1% in the UK 1895–2013.

Source: Online Appendix Table G1.

Age” before the First World War. The long-run results since 1895 highlight the enormous transformation of the distribution of wealth within the UK over more than a century. Fig. 1, previewing the main estimates, shows that in the wake of the first modern globalization the share of personal wealth going to the wealthiest 1% of UK individuals remained relatively stable at around 70%. The share began to fall after 1914 and the decline continued until around 1980. Although UK top wealth shares certainly fell during the two world war years, most of the reduction was very much a peace phenomenon. By 1980, the share had decreased to some 16%. This is still 16 times their proportionate share, but represents a dramatic reduction. The fall, however, came to an end around 1980, and since the mid-1980s the share of the top 1% – representing approximately half a million individuals today – has moved in the opposite direction.

What lies behind the long-run estimates for the UK presented in Fig. 1? Our investigation begins in Section 2 with the estimation of the distribution of estates from the administrative tax data, which covers a long period (1895 to 2013). In Section 3, we estimate wealth concentration applying the mortality multiplier method to the estate data. In the UK, this involves piecing together data for the different years when sufficient information exists on the demographic structure of estates to implement such method. In Section 4, we link the different estimates of wealth concentration over time to provide a continuous time series from 1895 to 2013. We show that the distribution of estates has substantial informative content in and of itself, and that the application of mortality multipliers does not alter the picture concerning the distribution of the wealth of the living, as commonly believed. The results cover, in addition to the evolution of top wealth shares, the shape of the upper tail, which builds a bridge with the theoretical literature on thick tails of the wealth distribution (see Benhabib and Bisin, 2016, for a recent review). We pay particular attention to the role of housing in understanding the dynamics of wealth concentration, and highlight its equalizing effect over the past decade. The new estimates represent, we believe, an advance on those available to date, but they should be viewed in the context of a variety of potential sources of error, arising both from the underlying method and from the reliance on tax data. In Section 5, we consider the internal validity of the estimates by addressing the main problems with the methods used in their construction. Most notably, recent literature has suggested that aggressive estate tax planning and the decreasing mortality of wealthy individuals can bias downward the estimates of top wealth shares based

on estate data (Saez and Zucman, 2016). Reasonable adjustments to account for tax evasion and avoidance naturally affect the level of estimates, but only marginally the trends. We also show that the sensitivity of top wealth shares to steepening mortality-wealth gradients is an empirical matter, and that such elasticity is small. In Section 6 we apply checks on the external validity of the estimates presented here through an examination as to how far they can be triangulated with evidence from other sources (investment incomes, rich lists). The increase in UK wealth concentration observed since 1980 has been moderate, similar to what the most recent results suggest for France (Garbinti et al., 2016).

The new evidence about top wealth shares for the UK is compared in Section 7 with the evidence for the United States (US). There has long been interest in contrasting wealth distributions in the UK and the US (for example, Lydall and Lansing, 1959, and Lampman, 1962). The juxtaposition of the two countries is of particular relevance given the recent critical reviews of the long-run US evidence (Kopczuk, 2015 and 2016, and Sutch, 2017), and the publication of alternative estimates by Bricker et al., 2016, and Saez and Zucman, 2016, the latter finding a particularly sharp rise in the very top wealth shares. Comparisons made half a century ago found wealth to be more concentrated in England, but today the US is seen as the home of major concentrations. If so, when did the countries change position? There are significant differences in the nature of the estate data – in coverage and in the process of assembly – but the sources are sufficiently similar to make the comparison a meaningful one. In the final Section 8, we summarize the main findings and discuss the implications for the future measurement of the distribution of wealth.

### 1.1. Measuring the distribution of wealth

The paper is concerned with the distribution of personal wealth, or net worth: the value of the assets owned by individuals, net of their debts. Assets include financial assets, such as cash, bank accounts, bonds or company shares, and real assets, such as houses and farmland, consumer durables, and household business assets. The total wealth considered here differs in important respects from total wealth as measured in the national accounts balance sheets. To begin with, we are concerned only with one sector of the economy: the household sector, where this excludes non-profit institutions serving households. Second, there are differences in the method of valuation, a subject that is often

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