Trends in Wealth Inequality in Switzerland

Ben Jann\textsuperscript{a} and Robert Fluder\textsuperscript{b}

Conference on “The Evolution of Economic and Social Inequalities in Switzerland (and Beyond)”
University of Neuchâtel, Switzerland

October 24, 2014

\textsuperscript{a}University of Bern

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Overview

- Introduction
- Development of wealth inequality in Switzerland since 1980
- Regional development of wealth inequality
- The relation between wealth and income inequality
- Some analyses with individual level cantonal tax data
- Summary
Introduction

- The discussion on social inequality mainly focuses on income. Wealth inequality is much less debated.
- This is astonishing since wealth, apart from income, is a main aspect of the economic situation of households.
- Furthermore, the level of wealth inequality is typically much more pronounced than the level of income inequality – and Switzerland, in particular, appears to be one of leading countries in terms of wealth inequality.
Introduction

Gini-Konzentration in verschiedenen Ländern, 2000

Wo es 2014 am meisten Milliardäre gibt

Trends in Wealth Inequality in Switzerland
Neuchâtel, 24.10.2014
One reason for the lack of analyses of wealth is that good data on wealth (at the individual level) is rare. For Switzerland, aggregate tax statistics on the distribution of wealth do exist for various time points over the last century. In addition, we collected individual level tax data on wealth from several cantons. These data allow for detailed analyses of the wealth distribution and also allow for combined analyses of income and wealth.

Tax data are probably the best source for information on wealth. However, there might be bias due to tax evasion. Furthermore, for Switzerland, retirement savings are not included in the tax data and the tax value of real estate typically underestimates market value.
Introduction

- Recently, interest in the distribution of wealth has been promoted by the work of Thomas Piketty who shows that the ratio between capital and income has risen sharply since World War II. The argument is that wealth has become more important for the distribution of resources in modern societies and that self-reinforcing dynamics will lead to increasing concentration in the future.
- Wealth is also relevant from the perspective of social mobility. Since individual wealth is largely acquired by inheritance, rising wealth inequality reinforces the intergenerational transmission of social status.
- Opportunities for highly profitable investments are better with increasing capital. Together with the dynamics of inheritance this leads to increasing capital concentration.
Wealth inequality trends since 1980

Wealth inequality trends since 1980


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Wealth inequality trends since 1980


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Wealth inequality trends since 1980

Wealth inequality trends since 1980


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Wealth inequality trends since 1980

Distribution

Change since 1981


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9
Wealth inequality trends since 1980

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Change since 1981


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Neuchâtel, 24.10.2014 9
Wealth inequality trends since 1980


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Wealth inequality trends since 1980

2010

Distribution

Change since 1981


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Regional development of wealth inequality

Wealth per Capita

Inequality


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Regional development of wealth inequality

Trends in Wealth Inequality in Switzerland


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Regional development of wealth inequality

Wealth per Capita

- ZG
- Switzerland

Gini coefficient


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Regional development of wealth inequality

Wealth per Capita

Inequality


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Wealth per Capita

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Regional development of wealth inequality

Wealth per Capita

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Regional development of wealth inequality

Wealth per Capita

Inequality


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Trends in Wealth Inequality in Switzerland

Neuchâtel, 24.10.2014
Regional development of wealth inequality

Wealth per Capita

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Regional development of wealth inequality

Wealth per Capita

Inequality


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Regional development of wealth inequality

Wealth per Capita

![Graph showing wealth per capita (in million, 1982 prices) with trends from 1980 to 2010 for SG and Switzerland.]

Inequality

![Graph showing Gini coefficient trends from 1980 to 2010 for SG and Switzerland.]
Regional development of wealth inequality

Wealth per Capita

Inequality


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Wealth per Capita

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Regional development of wealth inequality

Wealth per Capita

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Regional development of wealth inequality

Wealth per Capita

Gini coefficient


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Wealth per Capita

Inequality


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Regional development of wealth inequality

Wealth per Capita

- TI
- Switzerland

Wealth per capita (in million, 1982 prices)

Inequality

- TI
- Switzerland

Gini coefficient


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Regional development of wealth inequality

Wealth per Capita

Inequality


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Wealth per Capita

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Wealth per Capita

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Regional development of wealth inequality

Wealth per Capita

Inequality


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Trends in Wealth Inequality in Switzerland

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Region development of wealth inequality

Gini coefficient between cantons

Correlation between income and wealth inequality


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Correlation between income and wealth inequality

Correlation between income and wealth inequality

1997


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Correlation between income and wealth inequality


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Correlation between income and wealth inequality


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Correlation between income and wealth inequality

2005

Wealth inequality (Gini coefficient)

Income inequality (Gini coefficient)


Trends in Wealth Inequality in Switzerland

Neuchâtel, 24.10.2014
Correlation between income and wealth inequality


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Correlation between income and wealth inequality

Correlation between income and wealth inequality


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Correlation between income and wealth inequality

Wealth inequality (Gini coefficient)

Income inequality (Gini coefficient)

2010


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Income and wealth inequality in canton Bern

2002

Income (G = 40.2)

Wealth (G = 75.4)

Source: Individual level tax data of canton Bern
Income and wealth inequality in canton Bern

2012

<table>
<thead>
<tr>
<th>Share (%)</th>
<th>Cumulative population</th>
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</thead>
<tbody>
<tr>
<td>Income (G = 41.1)</td>
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<tr>
<td>Wealth (G = 76.8)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Individual level tax data of canton Bern
Income and wealth inequality in canton Bern
Wealth inequality by age (Bern)

Median wealth (in million; 2010 prices)

Gini coefficient

Source: Individual level tax data of canton Bern

Jann/Fluder (ben.jann@soz.unibe.ch)

Trends in Wealth Inequality in Switzerland

Neuchâtel, 24.10.2014
Wealth inequality by age and marital status (Bern)

Median wealth (in million; 2010 prices)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2002: Married</th>
<th>2002: Single/divorced/widowed</th>
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<tr>
<td>25-34</td>
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<td>35-44</td>
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<td>65-74</td>
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<td>75-84</td>
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<td>Total</td>
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Gini coefficient

Source: Individual level tax data of canton Bern

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Trends in Wealth Inequality in Switzerland

Neuchâtel, 24.10.2014
Wealth inequality by age and marital status (Bern)

<table>
<thead>
<tr>
<th>Median wealth (in million; 2010 prices)</th>
<th>Gini coefficient</th>
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2012: Married | Single/divorced/widowed

Source: Individual level tax data of canton Bern

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Trends in Wealth Inequality in Switzerland

Neuchâtel, 24.10.2014
Wealth inequality by age and sex (Bern)

### Median wealth (in million; 2010 prices)

<table>
<thead>
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<th>Age Group</th>
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<th>Female</th>
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<tr>
<td>Total</td>
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</table>

### Gini coefficient

**2002 (single/divorced/widowed):**

- **Males**
- **Females**

Source: Individual level tax data of canton Bern

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Wealth inequality by age and sex (Bern)

Median wealth (in million; 2010 prices)

<table>
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Gini coefficient

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Source: Individual level tax data of canton Bern

2012 (single/divorced/widowed):
- Males
- Females
Wealth inequality by labor income percentile (Bern)

Median wealth (in million; 2010 prices)

Gini coefficient

Source: Individual level tax data of canton Bern; working age population (20-64)

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Income components by labor income percentile (Bern)

Source: Individual level tax data of canton Bern; working age population (20-64)

Per capita income (2010 prices)

Proportion

Transfer income
Labor income
Capital income

Source: Individual level tax data of canton Bern; working age population (20-64)
Summary

- Results from federal tax statistics:
  - High level of wealth inequality in Switzerland.
  - Increase in wealth inequality since 1980, mostly due to gains among the top 5%.
  - Some relation between wealth inequality and economic development.
  - Wide variety of inequality levels across cantons.
  - Strong increase in wealth inequality between cantons.
  - Strong relation between wealth and income inequality across cantons.

- Results from cantonal tax data (Bern):
  - Wealth inequality in working age population somewhat higher than in retirement age population.
  - Huge wealth differences between married and unmarried/divorced/widowed.
  - Almost no differences between males and females.
  - Strong relation between wealth and income.