

DISCUSSION: THE DISTRIBUTION OF WEALTH IN SPAIN: EVIDENCE FROM CAPITALIZED INCOME TAX DATA.

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Wealth is back

- Piketty “*Capital in the Twenty-First Century*”
- Stiglitz “*The Price of Inequality: How Today’s Divided Society Endangers Our Future*”
- Stiglitz “*The Great Divide: Unequal Societies and What We Can Do About Them*”
- Reich “*Saving Capitalism: For the Many, Not the Few*”
- Atkinson “*Inequality: What Can Be Done?*”

Nothing new under the sun

- *Any city, however small, is in fact divided into two, one the city of the poor, the other of the rich; these are at war with one another.* , Plato, Greek philosopher (427-347 B.C.)

- *"The worst form of inequality is to try to make unequal things equal."* Aristotle, Greek philosopher (384-322 BC)

Wealth measurement

- Demand in society for unbiased information
- To lift up the discussion from oversimplification and myths: "Rich are getting richer, the poor are getting poorer" ; "Inequality is bad", etc.
- Wealth inequality is only one dimension of multi-faceted phenomena such as poverty, opportunity, growth, development
- understanding distribution of capital income important on its own: understanding capital share (vs labour share), capital share has been increasing (why, for whom?)

Wealth measurement methods

- wealth tax returns
- estate multiplier method: wealth at death
- household wealth surveys
- investment income: capitalizing income data

Literature: Tail wealth estimation

- Wealth tax records: Roine and Waldenström (2009), Alvaredo and Saez (2009), Dell, Piketty and Saez (2007)
- estate tax records: Atkinson and Harrison (1978), Atkinson, Gordon and Harrison (1989), Kopczuk and Saez (2004), Piketty, Postel-Vinay and Rosenthal (2006)
- Capitalization capital income: Atkinson and Harrison (1978), Saez and Zucman (2014)
- Combining surveys with rich lists: Vermeulen (2014)

Wealth measurement problems

- wealth tax returns: exemptions, tax evasion
- estate multiplier method: wealth at death not the same as during life
- surveys: non-response and underreporting
- investment income: exemptions, capital gains, capitalization factor

This paper

- uses capitalization method
- Illustrative of the direction this literature is moving
- Combination: tax data, survey data, national accounts data
- carefully done study

The capitalization factor

- Do the high investment incomes have higher returns?
- unequal human capital leads to unequal labour income. Is that also true for capital?
Are the rich smarter?
- Variability of returns over time?
- Equities have enormously different dividend yields
- Repsol (8.26 percent) ; Telefonica (6.26 percent) ; BBVA (4.56 percent) ; Inditex (1.54 percent) ; Gamesa (0.59 percent)
- capitalization factors are missing from the paper

Specificities of the Spanish case

- Housing: measurement of house prices.
- Is housing wealth true wealth (in a bubble)?
- Capital gains are excluded.
- Investment funds do not generate taxable income?

Conclusion

- study contributes to our understanding of wealth evolution in Spain
- Wealth measurement essential part of broader statistical framework
- Can we construct error bounds around our estimates?