

**Minutes of the first Brainstorming Meeting of the
Luxembourg Wealth Study (LWS)
Luxembourg - July 16, 2003**

Participants: Anthony Atkinson (Nuffield College, UK), James Banks (Institute for Fiscal Studies, UK), Olympia Bover (Banco de Espana, Spain), Andrea Brandolini (Bank of Italy, Italy), Giovanni D'Alessio (Bank of Italy, Italy), Michael Haliassos (School of Economics and Management, Cyprus), Richard Hauser (Hanse Wissenschafts Kolleg, Germany), Markus Jääntti (Abo Akademi University, Finland), Stephen Jenkins (Institute for Social and Economic Research, UK), Tom Juster (Institute for Social Research, USA), Arthur Kennickell (Board of Governors of the Federal Reserve System, USA), Norbert van Kunitzki (Centre Universitaire, Luxembourg), Eric Marlier (CEPS, Luxembourg), Dan Newlon (National Science Foundation, USA), Jim Palmieri (LIS visitor), Mike Sheridan (Statistics Canada), Matthias Sommer (Mannheim Research Institute for the Economics of Aging, Germany), Tim Smeeding (Syracuse University, USA, and LIS), Gert Wagner (DIW, Germany), LIS staff (Thierry Kruten, Teresa Munzi and Susanna Sandström).

Tim Smeeding (TS) and Andrea Brandolini (AB) open the meeting and welcome the participants. An information package is handed out and a first round of table is done to introduce participants.

I. Opening session

AB gives an *overview of the basic plan for the LWS*. He explains how the idea was born at the 27th IARIW General Conference last year in Stockholm, where some research results were presented on trends of wealth inequality in 5 countries: it was obvious then, that wealth comparability was lagging far behind income comparability (data are available for fewer countries, data collection procedures differ widely and the very same definitions of the wealth components are far from being homogeneous across nations). He argues that the LIS example should be followed in the field of wealth data as well, in order to be able to carry out sensible comparisons of household's savings across nations. Motivations range from macroeconomics (concerns about macroeconomic effects of the upsurge and subsequent tumbling of stock prices or housing prices dynamics, and the consequent dilemma whether asset prices should enter into the objective function of central banks) to microeconomics (better insight into household's well-being through distributional analysis). He describes the main aims of the project as being: the construction of a cross-national comparable dataset on the basis of existing data to be made eventually available in the same manner as the LIS database; the establishment of a network of producers of micro-data on household worth in order to share accumulated knowledge and exchange information on best practices; the production of guidelines for data producers (similar to the Canberra Handbook); and the production of a set of comparative studies on household savings and their allocation, portfolio composition, wealth distribution, etc., on the basis of the newly constructed LWS cross-national comparable dataset. Finally, AB defines the LWS as "LIS plus Canberra Group" and he points to the fact that the "underdevelopment" of wealth surveys may represent an opportunity in enhancing the quality of each survey at the same time as increasing comparability.

TS introduces then the *practicalities of the presented project*. He explains that the LWS is a marginal cost operation in that it will exploit some of LIS fixed costs (LIS has the infrastructure for the actual localisation of the new project, including office space,

computing, staff support and expertise, and especially an access system which might be essential for the dissemination of LWS data, because of restrictive dissemination rules of many data providers), while at the same time LIS will benefit from the LWS (wealth is also a source of income/consumption, and it is not well measured in income surveys). He then proposes some possible next steps: once funding is assured (whereby he proposes that each country putting the data would commit for EUR 10,000 in the first year and another EUR 10,000 in the second one), hire a 2-year PhD researcher (at a total cost of EUR 45,000 per year) to work within the LIS offices in Luxembourg exclusively on the LWS project; next year a second meeting of this same group will analyse the first results of the harmonisation of the initial 6 to 8 datasets and provide further guidance on the continuation of the project, including research guidance for the production and, eventually, publication of a series of comparative studies on wealth distribution by the following year.

Being a party external to the project proposal, Richard Hauser (RH) is asked (and accepts) to take over the chair for the rest of the morning meeting.

II. Data

RH asks all the data participants to give an overview of their own data. TM specifically asks them to give some insight on data dissemination regulations within each institution and eventually on funding possibilities.

Survey of Financial Security (SFS), Canada - Mike Sheridan begins the round of table by welcoming and supporting the idea of such a project, and by pointing to the fact that the only critical issue is funding; as to the latter, he says Statistics Canada could fund the initial EUR 10,000. As to the data, he says that the SFS is available for public use since 14 years, but that the periodicity for the future will depend on the funding. The unit of the survey is only the economic family (no individual data). Survey data are sold at about US\$ 1,500 per year. He also comments on the “Canberra Group” approach the LWS project intends to take by noting this is going to be much more difficult than for income statistics (let only think on how to assess the value of pensions, whether at net present value or future value, etc.).

Tom Juster comments on the importance of the right unit of analysis and how much this will vary across countries: in some countries it makes sense to analyse assets at the individual level, while in other the household level is the only relevant. Thus questions of level of analysis are also asked

German Socio-Economic Panel (GSOEP), Germany - Gert Wagner introduces the GSOEP and notes that this is a scientific use file (no public use, but it is possible to put the data on a CD-Rom and give it to registered users). The GSOEP is based on a multistage probability sample (including institutions) and collects wealth data through its topical modules: modules on wealth were held in 1988 (with a sample size of 5,500) and in 2002 (a new subsample of rich households was included, with a total size of 13,000). The structure of wealth composition is basically the same as for the US Survey of Consumer Finances, including business equities but also durables; no top coding is carried out, and there are no major problems with item non-response. He specifically mentions how the special modules on wealth have not affected non-response in the GSOEP and points to the importance of the organisation of the interview in order not to discourage respondents (in the GSOEP, respondents were made aware of the importance of knowledge of the exact status of their wealth because of pension insecurity problems). The interview lasts 35 minutes and it is held at the individual level only, but information can easily be aggregated to the household level.

The reference period is the time of interview. The 2002 data are ready without imputation, while the next wealth module has been foreseen for 2007. He finally stresses DIW's high interest in the project.

Einkommens- und Verbrauchsstichprobe (EVS), Germany – Richard Hauser presents the EVS (or Income and Consumption Survey, ICS) and notes that while such data were allowed out of the country until the mid-80s (LIS actually has the 1973, 1978 and 1982 waves in its database), the dissemination policy has changed since then and now only remote access is possible for university researchers. New waves were carried out in 1988, 1993, 1998 and 2003. He also notes that for some assets values are recalculated (e.g. legal tax value and market estimated value). The survey does not cover the value of businesses. The richest families are not interviewed.

Matthias Sommer adds that the Mannheim Research Institute for the Economics of Aging have EVS data within their institute and that it costs EUR 5,000 per wave to get them. Furthermore, they also have two more datasets, which may be relevant for the LWS: the SAFE study (conducted by Deutsche Bank), which is a panel study covering wealth data for the total population with the same detail as the EVS (the first wave was held in 2001) but only with 1000 households, and the SHARE project, a cohort study of older persons in Europe, similar to the HRS in the USA whose data will not be available until the end of next year at the earliest.

Survey of Household Income and Wealth (SHIW), Italy - Giovanni D'Alessio notes that the Bank of Italy carries out this survey since the 1960s, but that data on wealth are available only since the 1990s. The sample is defined following a 2 stage stratification procedure where the primary sampling units are the regions and the municipalities, and it achieves a size of 8,000 households. Since 1989 part of the sample (35 to 50%) is longitudinal. Wealth is collected at the household level (only some information at the individual level), and concern mainly housing, equities, financial assets, annuities and consumer durables. Among the major statistical problems are some sampling errors (due to high concentration of wealth) and some non-sampling errors such as under-reporting and low total non-response (about 50%). Some imputation is carried out only for the cases where the respondent does not know the value (but not if he/she refuses to answer). As to the data dissemination there are no limitations as long as it is used for research (a CD-Rom can easily be distributed).

British Household Panel Study (BHPS), UK – Stephen Jenkins says that the BHPS includes annual questions on wealth in its household questionnaire plus a specific assets and debts module included in the 1995 and 2000 waves (scheduled every 5 years). The sample size is 5,000 households. A peculiarity of this survey is that the questions of the household questionnaire are answered by each adult member. He also notes that no imputation is carried out, but that the Institute for Fiscal Studies (IFS), which is the main user of the data, have made some imputations while aggregating to the British tax family. As to data dissemination, anybody can have the data with a prior registration (CD-Rom dissemination is thus possible). Finally, he stresses that they are open to suggestions and modifications, which would ensue a “Canberra” type approach to wealth data. James Banks adds that the imputation carried out at the IFS is included in the data available at the Data Archive. Furthermore, he stresses the fact that, differently from the SCF, BHPS wealth data only include information on savings, investments and debts. He also notes that the 2000 wave is very much improved with respect to the 1995 one.

English Longitudinal Study of Ageing (ELSA), UK – James Banks also mentions the ELSA, a survey carried out every 2 years (with the first wave having been conducted in 2002) and

stresses that, differently from the BHPS, the ELSA also includes the value of pension assets. He finally mentions that there are also some administrative data and that there are no restrictions on data availability (deposited at the Data Archive and available upon registration).

Survey of Consumer Finances (SCF), USA - Arthur Kennickell introduces the SCF which started in 1983 and is since carried out every 3 years (with CAPI methodology). The unit of observation is the primary economic unit (defined by blood or economic relationships), but they can also construct a complete household measure. The data include financial services and pension data and there is an oversample of high wealth households. In the high wealth subsample, response rate is 20%; in case of item non-response range data are available; otherwise imputations are carried out. He finally says that there are two versions of the data: a public use available on the Internet and a very restricted version. In the public use version there is very little topcoding (around 400 persons corresponding to 2.5% of total wealth) and no geographic information is available for confidentiality reasons.

Panel Study of Income Dynamics (PSID), USA - Tom Juster notes that the PSID is the most used for poverty studies. It started as a low income sample, but this was changed over the years and it is now a general purpose database. Wealth data were introduced in 1984 and are available for the 1989, 1994 and 1999 waves. Since the survey has become biennial, wealth data are available for each wave (i.e. every two years).

Health and Retirement Study (HRS), USA - Tom Juster also introduces the HRS, which began in 1992 and which focuses on assets, pensions, Social Security and ageing for the cohort of persons aged 50 and over in 1992. It only includes households with persons aged 50 and over, and it is both a longitudinal survey and a representative cross-section. There is an important focus on wealth (same module as PSID), with 10 wealth categories.

Tom Juster concludes noting that both PSID and HRS have been the objective of substantial experimentation over time, the results of which might be very useful for the set up of the LWS. For instance, there is strong evidence that unfolding brackets achieve better results than range coding; also, evidence supports the fact that the reporting of income from assets (which is traditionally very bad in surveys) improves considerably when asked separately rather than as an item of a long list of incomes.

Wealth Survey from Statistics Finland, Finland - Markus Jäntti starts by explaining that the responsible for the Wealth survey at Statistics Finland is much better placed to fill in the LWD questionnaire, but that he still has not forwarded it to that person for tactical reasons. He then states that part of the 1988, 1994 and 1998 sample for the IDS (Income Distribution Survey) has been used to conduct a wealth survey. Over time, the sample size decreased from 5,000 to 4,000 and response rates decreased from 75 to 60 per cent. Sampling design includes stratification and oversampling for high income. The unit is the household and the CAPI methodology is used. The measurement period is the time of the interview and values are often taken from the market rather than being asked directly to the respondent. Weighting is carried out, while no perturbation is made (no top coding), but geographic information is not available. Pension wealth is excluded but Markus suggests that it can be imputed either through wage regression (even though the household unit might make this very cumbersome) or by getting the data from pension institutions. There exists a file harmonised over time, but, following strict regulations for data access, the best envisageable option would be remote access (no CD-Rom possible); in order to get data to LWS a permission from the Director General would be required. Unfortunately, he mentions that, most likely, no more wealth surveys will be carried out in the future.

Bank of Spain Wealth Survey, Spain. Olympia Bover notes that the first wave was just finalised and that they are now working on imputation. The sample is stratified with oversampling and it achieves the size of 5,000 households. The non-response rates are 14% for richer households and 35% for less wealthy ones. She mentions that there is a major problem with item non-response, which they are trying to reduce through imputation. Data include income as well, and might be available in winter 2004. The idea is to make data available for the public if they are good.

Cyprus Survey of Consumer Finances (CSCF), Cyprus – Michael Haliassos first specifies that he has sent the filled questionnaire to LIS staff, and wonders why it is not included in the LWS ID survey. He then explains that the interest of having such a small country among the participants of the LWS relies on multiple factors: Cyprus population relies enormously on real assets (house, car, etc.); there is high participation in business equities; financial markets are developing considerably; and, last but not least, there are very few liquidity constraints (family and friends' support is very common). And finally, Cyprus is also the only country outside the core for which such data exist. Data are available for 1999 and 2002, and come from surveys (tax records are available but are not trustful). Rich families are oversampled on the basis of electricity consumption. The sample reaches 1,100 households (which is about 10% of the total household population). Response rates range (geographically) from 72 to 93%, with more difficulties being encountered in the second wave with respect to the first one. Imputation is carried out for item non-response, based on current value for the house and on cash value for life insurance. Income data are also included, as well as demographic characteristics and attitudes. The questionnaire follows the SCF structure with an expanded insurance section. As to the dissemination, there are no major problems (availability at zero cost to LWS with remote access possible to all registered users), apart from the fact that it is only available in Greek.

At the end of the round table, some participants mention about data availability in other countries. AB reports that Robert Eriksson has previously mentioned that there are such data in Sweden, and that he knows that INSEE in collaboration with DELTA produces similar data; researchers at DELTA would probably be happy to participate. James Banks mentions that the Netherlands is supposed to have good wealth data (two different panels) and he suggests contacting both Arie Kapteyn, RAND in USA and Rob Alessie, Tilburg. It is also noted that both Australia and New Zealand have wealth data. Haliassos notes that other national central banks may want to join once LWS is set, as they are all very much interested in the topic and might decide to start collecting the data if such a project exists (this could be the case for Greece). It is also mentioned that India and Indonesia carry out assets surveys.

III. Research

RH opens the session on research and TS asks some participants to express their views on research-related issues.

Tony Atkinson expresses that he very much welcomes the venture and that he feels that there seems to be enough data and money to proceed. He notes that historically wealth data was measured much before income (the first measurement data from about 75 year ago). He then warns against the risks associated with data quality issues and the use it is made of such data. He therefore: i) advises to check micro data results against other sources (e.g. the Gini for individual wealth in the UK from the Inland Revenue statistics) as a means of reference/validation (especially for assets composition); ii) encourages to relate wealth micro

data to national balance sheets (just like LIS data are linked to national accounts data); and iii) warns against differences in surveys and especially against the use of commercial surveys (there should always be some minimum standards/requirements to be respected in order for a survey to be considered for inclusion in the LWS). He finally wishes the LWS the best success.

James Banks stresses the importance of Atkinson's warning on the heterogeneity of wealth surveys. He further notes that each type of survey is significant for certain research questions, and splits the possible research questions in four groups: those relating to the understanding of the distribution of wealth, those relating to the allocation of portfolios, those relating to the accumulation and decumulation of individual resources over the life-cycle and finally those concerning the transmission of wealth over generations. He then notes that the first two research questions (distribution and allocation of wealth) are well served by SCF-type cross-sectional surveys, whereas the latter two (life-time accumulation and intergenerational transfers) are better served by longitudinal studies including children. Each of the available wealth surveys reviewed in the morning is clearly more useful for one of the two main directions of research. (As an example, he takes the links between wealth and health: wealth is supposed to affect health because of the history of respondents, which is not reported in cross-sectional surveys.) As a result, he emphasises the importance of clearly identifying the research framework the project wants to tackle before setting up its structure and selecting its possible participants. In fact, while the different uses of income all point to the same methodology, different wealth research points to different methodologies. He finally expresses his personal view that BHPS- and GSOEP-type surveys are the best suited for the LWS project at present.

Initiated by Banks intervention, several other participants agree on the key issue that there are two main types of wealth surveys: the longitudinal ones, with a panel structure but hardly any detail in terms of wealth composition (mainly consisting of the three main categories of pension, housing and business), and the cross-sectional ones, with no panel but a lot of detail on assets and portfolio allocation. Only the NL seems to have a survey which responds to both types. As a result TS proposes to start with cross-sections only and then see whether it makes sense to move to the panel structure.

Cross-sectional surveys would need to include at least the main categories consisting of housing, pensions, business and debt. The following first draft of the LWS main categories and detailed variables is drafted.

Main category	Detailed variables
Pensions	Defined contributions / defined benefits on employer Own defined contributions (IRA, etc.) Public
Real estate	Principal residents Secondary residents Investment real estate In each case, a distinction between: Gross value, Net value and Housing debt
Business equity	Farm (agriculture, forests and fisheries) Non-farm
Fixed rate assets	Term assets (CD) Short-term bonds Savings accounts Money market bonds
Risky (or variable) assets	Stocks Bonds (long-term) Inflation indexed bonds Mutual funds
Non-housing debts	Installments loans Educational loans Credit card
Life insurance	
Other real wealth	Vehicles (eventually can be separated) Patents Personal credits Durables (gold, paintings, furniture)
Cash	

Moreover, it is proposed that each variable/category should have the following structure:

- yes/no (have type of account-asset-debt, or not?)
- amount (annual)
- date of valuation of asset (e.g. now or end of last year, etc. ?)
- method of valuation (survey response; register amount, etc.)
- relation to SNA (for like categories of assets)
- rules for imputation if data is missing

All values should be gross (no net/gross issue). Jäntti notes that some problems may arise in countries which collect data on taxable wealth only (e.g. Finland).

Tom Juster adds a final comment on a distinguishing feature of wealth surveys. i.e. the major problem with survey and item non response because of the sensitive nature of the data. He suggests that both survey and item non-response can be substantially lowered. In order to lower survey non-response, one should better train the interviewers so that they themselves do not feel uneasy about the questions and do not transmit this feeling to the respondents. There is evidence that people who do not respond are richer (do not know items have in general 2 times the level of assets, and refusals 3 times the level of assets). As a result, he suggests that one should be very careful as to how surveys are structured (range coding versus brackets, telephone versus personal interview) and gives some references for further detail. One is Juster and Smith; JASA; 1997; the other is Smith, Juster and Hurd, JHR, 2003.

IV Revisiting the Game Plan

TS makes a summary of the datasets that could be included in the LWS. He suggests that LWS would start with general data rather than with cohort data. Countries with which no negotiation has been done yet will be contacted to participate from the start. The Netherlands, France and Sweden are mentioned as countries that possibly could be included on this basis. Olympia Bover suggests that Portugal also could be included and that The Bank of Portugal could be contacted in this matter.

Cohort	General	
<i>Already negotiated</i>		
SHARE – EU	SAFE – GE	2 waves available
HRS – US	EVS – GE	the data can not leave the country
ELSA –UK	CN	2 waves available
	SCF – US	many waves available
	IT	3-4 waves available
	SP	1 wave available summer 2004
	CYP	2 waves available
	FI	2-3 waves available, not clear if its is possible to get the data
	GSOEP (panel)	2 waves available
	BHPS (panel)	2 waves available
	PSID (panel)	many waves available
<i>Not yet negotiated</i>		
	NL (panel and cross-section)	?
	FR (cross -section)	?
	SW (panel)	?

TS addresses the question *whether the project is worth doing and paying for*. Stephen Jenkins suggests that some more discussion on what kind of research could be done on cross-national data should be conducted. Michael Haliassos mentions that his experience from doing cross-national research with just a few countries without having harmonised datasets reveals to be very cumbersome and a lot of methodological issues need to be solved. He therefore welcomes the project. Gert Wagner mentions that, from a data producer's point of view, it would pay-off to be able to compare panel studies like the BHPS and the GSOEP. AB mentions that it is essential to push for the importance of this kind of data and that there is a lot of potential interest. He also mentions the important link between LIS and LWS that could be established for datasets where the sample is the same and that this could open up possibilities for researchers interested in both income and wealth. Tom Juster suggests that the experience of the success with LIS encourages a project like LWS. TS responds by saying that income still is more widely used in research and that the need for this project therefore needs to be discussed. Juster says that the only way to get a more widespread research in this area is to get comparable data available.

James Banks mentions that it also would be important to do institutional documentation. TS says that this is important but should be done later. Richard Hauser suggests that an equivalent to the Canberra Group Report should be written. AB answers that, still after a few years of experience, it would be too early but that at least some methodological papers could be written.

TS also addresses the question on how to govern and how to get people involved in the project. AB suggests that some thematic papers could be written about definitions, wealth distribution, and some methodological issues and that a survey of the existing literature could also be done. It is suggested that the working paper should be written by the end of next year and that the person who would be hired for the project could at least write some of the papers. TS mentions that all those who do not want to be involved in the project could send an email about it and therefore privately withdraw. Otherwise, this would be the working group, plus those from other nations who wanted to participate, but were not present.

AB makes some final remarks reminding about that the funding situation if possible should be reported about in September. TS, AB and some others will then meet in October to see if the project can start or if the start should be postponed until later. Markus Jäntti says that it would be good to get the introductory paper, the dataset reports, and minutes distributed at the meeting in their updated versions in order to apply for money, especially these minutes.

Finally, TS remarks that it would be good if especially J. Banks but also others look for people to involve in the project. He thanks all for participating in what looks like the birth of LWS; and cold beers are offered by TS and AB on the veranda