
Income and Wealth inequality after the financial crisis – the case of Germany

Dr. Markus M. Grabka & Christian Westermeier (SOEP/DIW Berlin/FU Berlin)

4th SEEK Conference - Public Finance and Income Distribution in Europe

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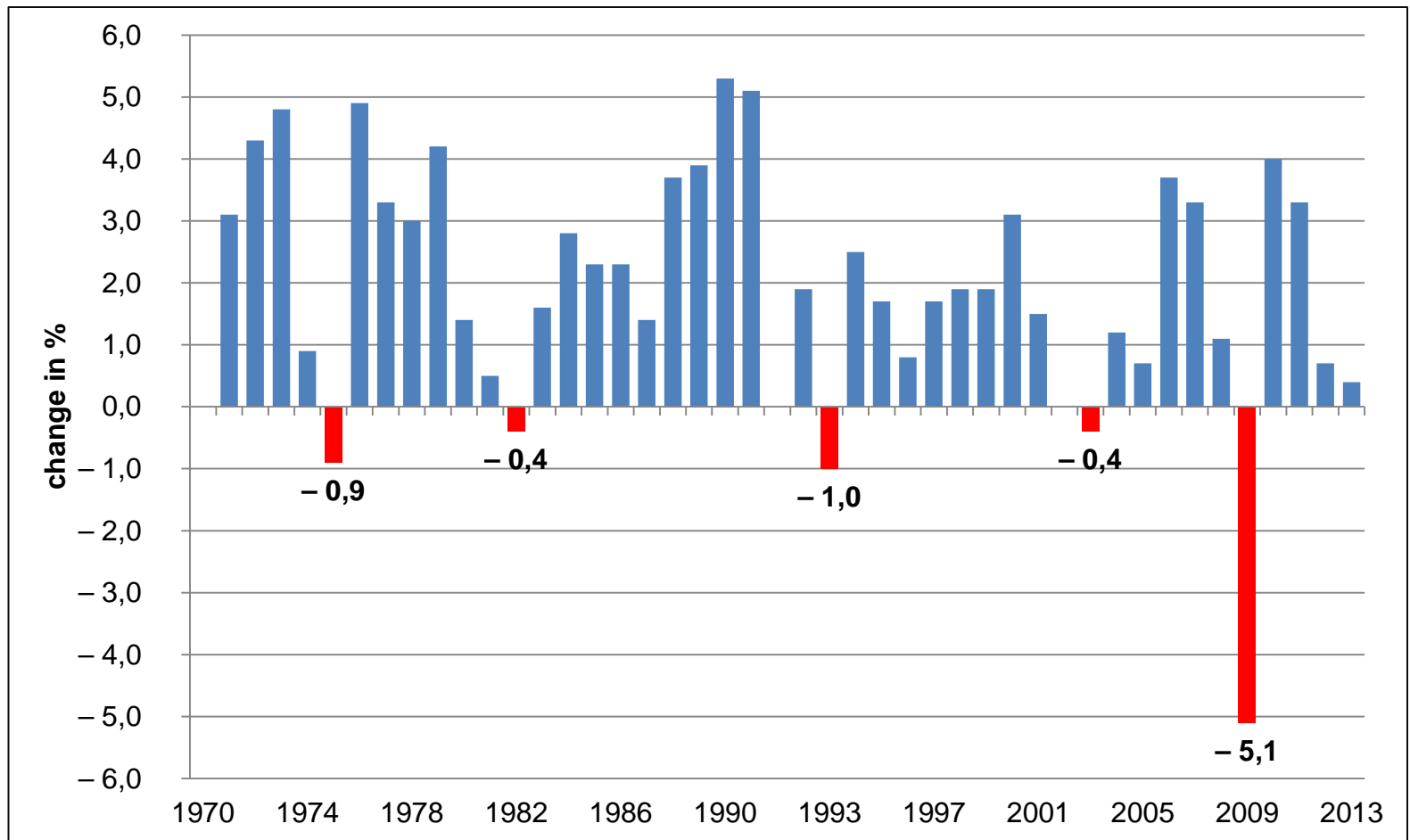
Rising income inequality in economic research & the public

- Capital in the Twenty-First Century (Piketty 2013/14)
- Growing unequal (OECD 2008)
- Divided we stand (OECD 2011)

Inequality and the Great recession (2008/2009)

- The Great Recession and the Distribution of Household Income (Jenkins, Brandolini, Micklewright and Nolan 2013)
→ rather modest effects in Europe up to 2010
- The Asset Price Meltdown and the Wealth of the Middle Class (Wolff 2012) → median net worth cut in half
- Income Wealth and Debt and the Great Recession (Smeeding 2012) → median income drop by 10%
- Germany ???

Change in Gross domestic product in Germany 1970-2013



Socio-economic Panel (SOEP)

- Large panel survey
- 2012: > 20.000 adult respondents
- started in 1984 (annually)
- content: all relevant life domains & subjective assessments
- consistent time series information about income

Income concept

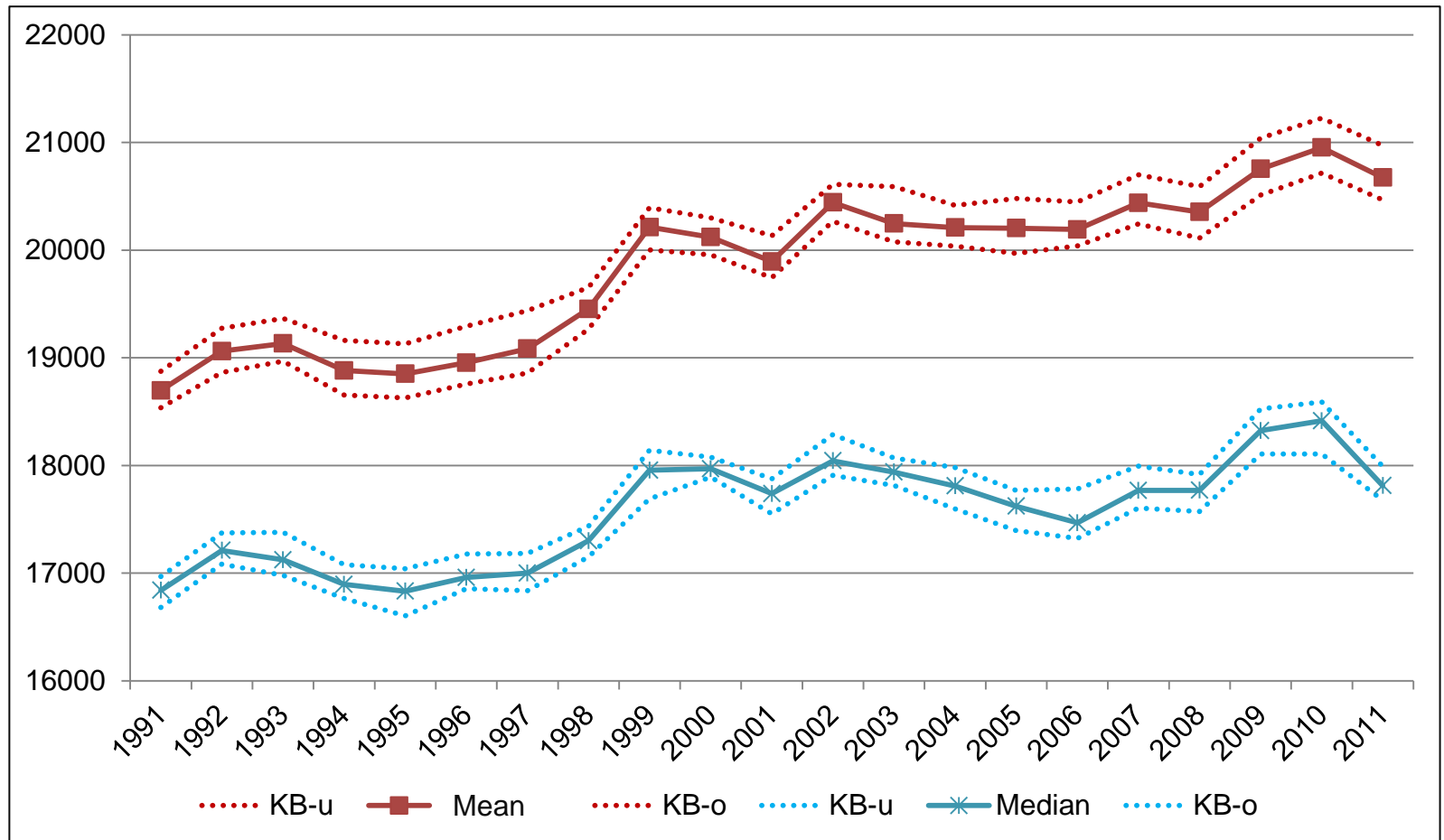
- Following the recommendations by Canberra Group
- Annual income as of previous year including imputed rents
- Inflation-adjusted (2005=100)
- Equivalence scale: modified OECD
- Population: persons living in private households



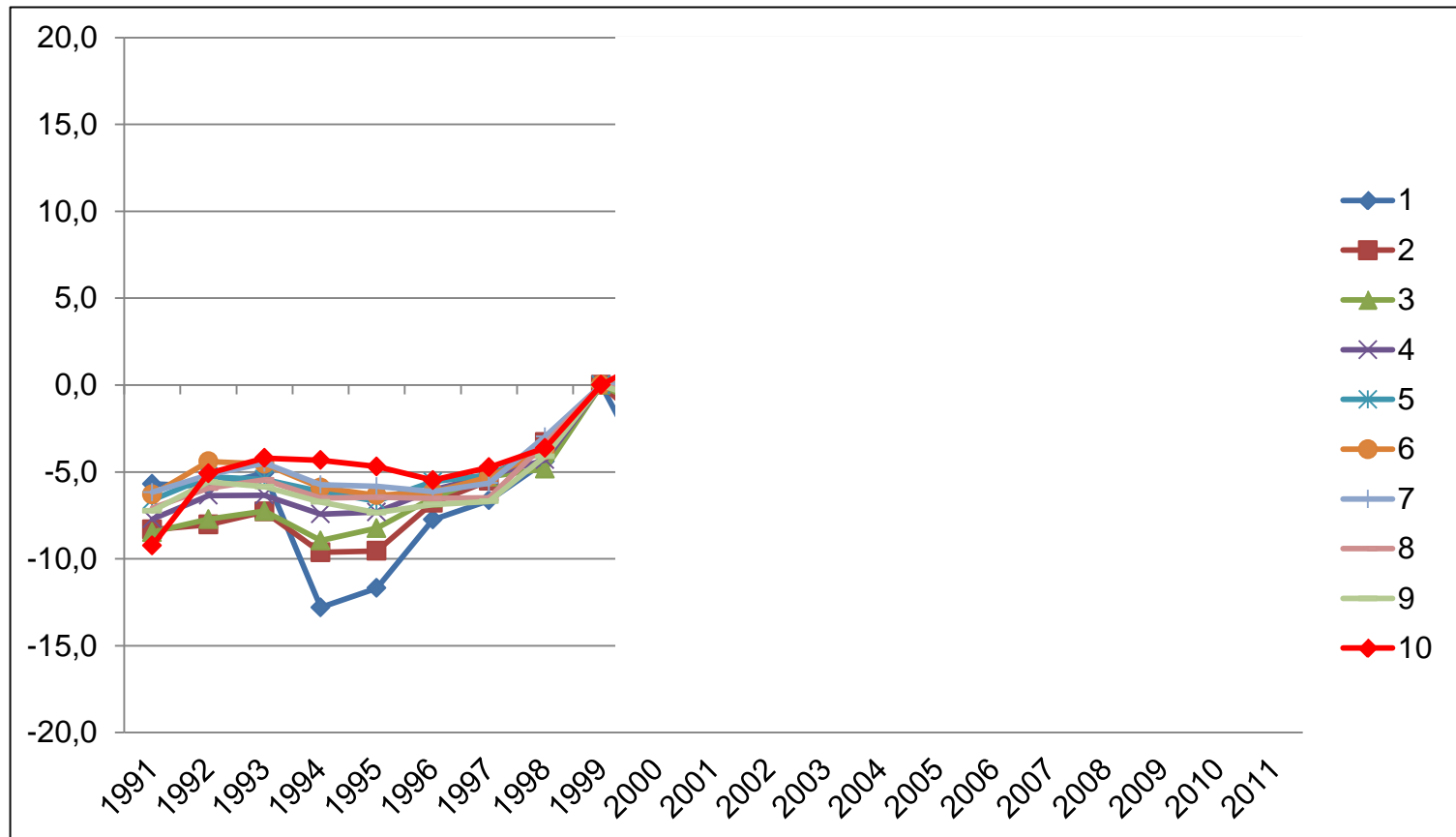
Income levels & inequality

Post-Government income

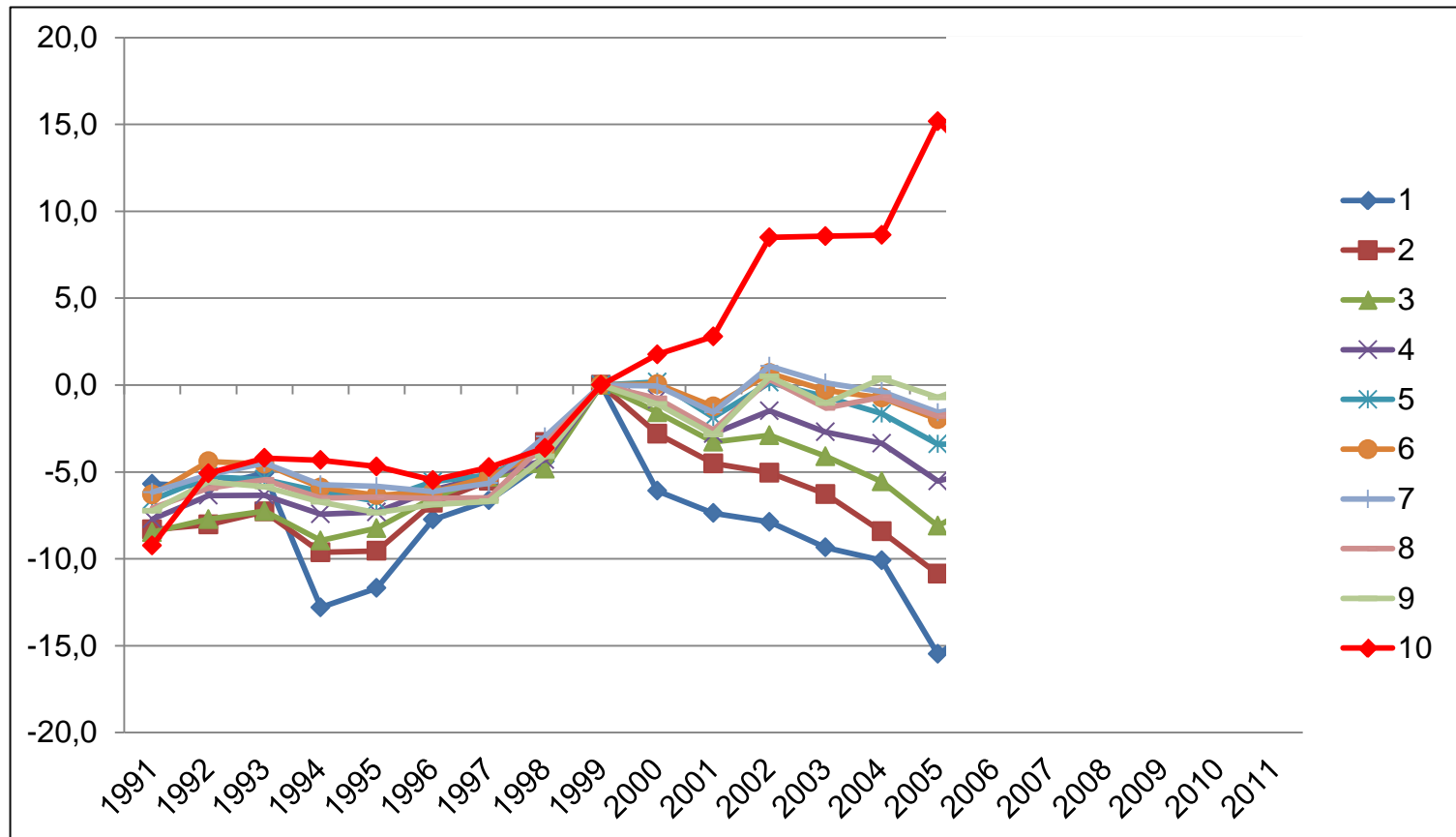
Real Post-Government income - Germany 1991-2011



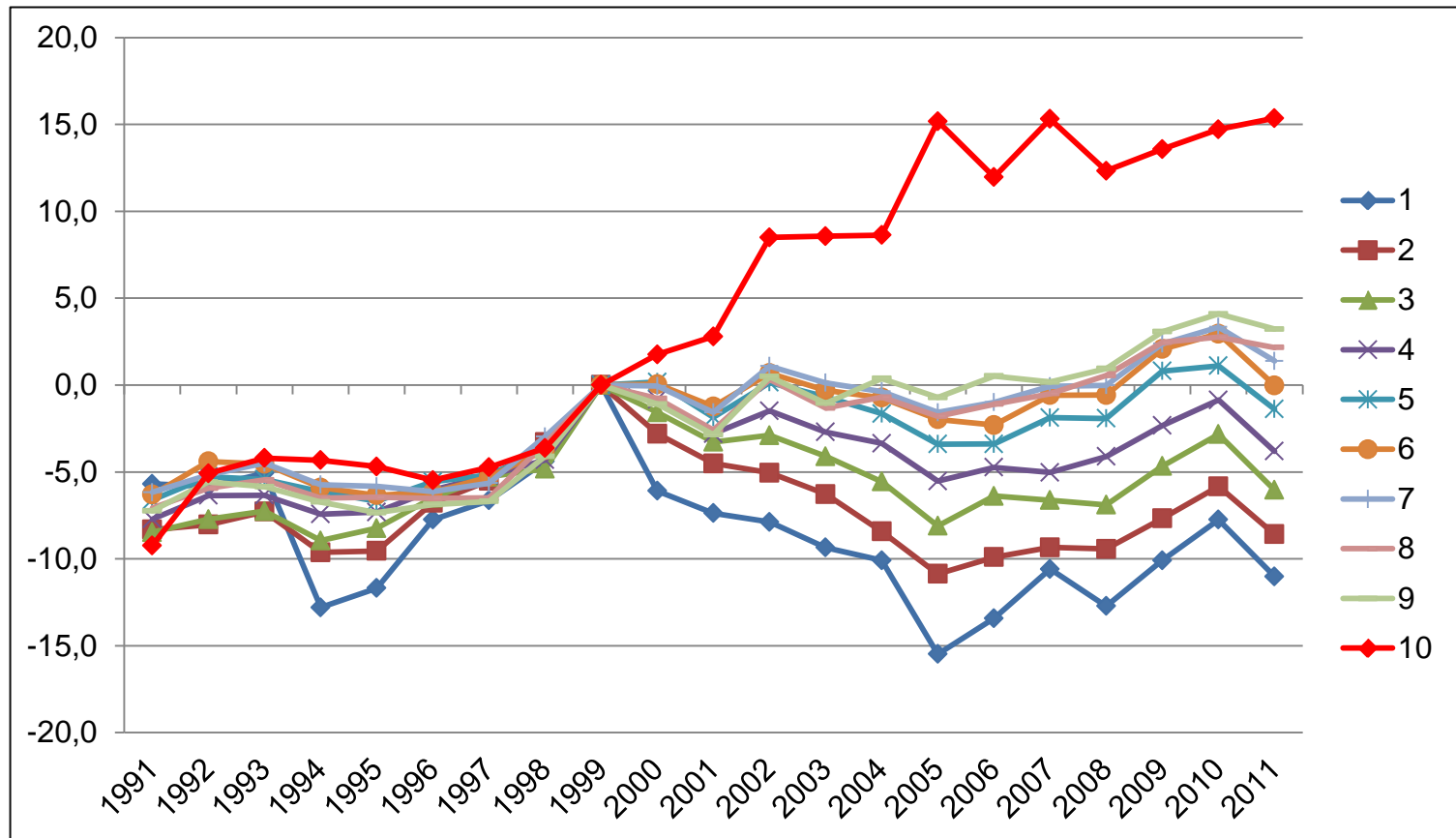
Change in Post-Government income by deciles – Germany 1991-2011 (1999=100)



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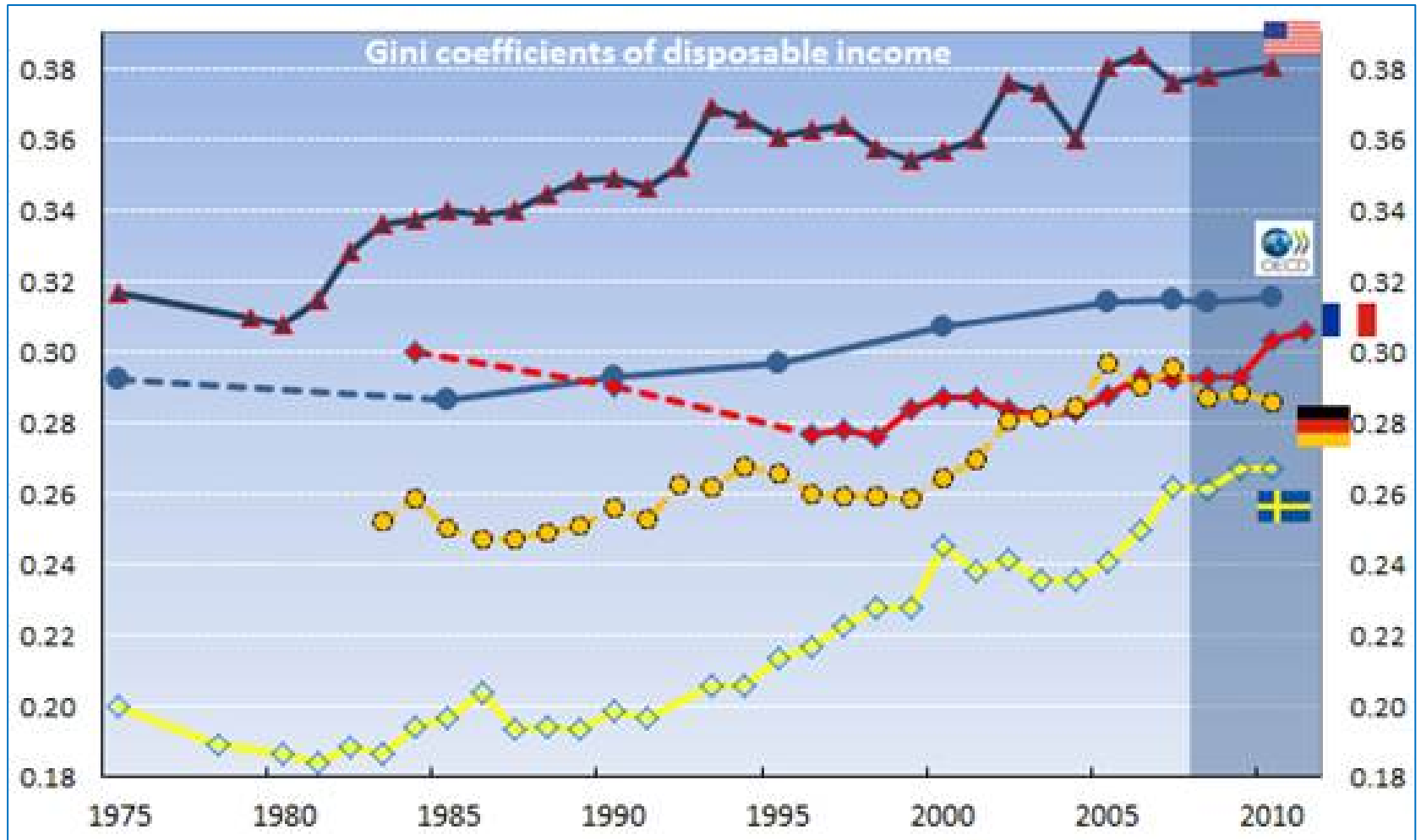


Gini of Post-Government income – Germany 1991-2011

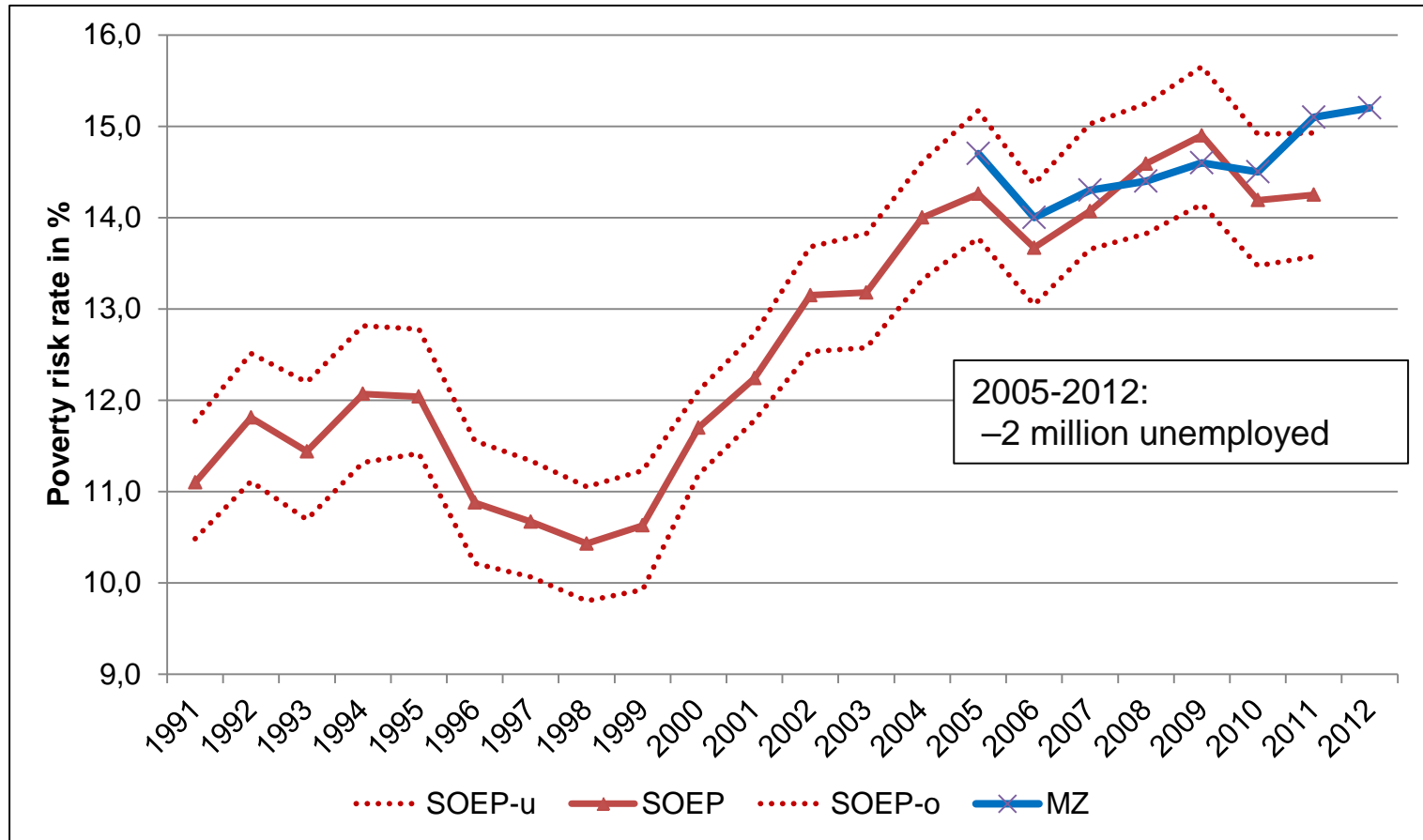


→ Trend confirmed by the Mean-log deviation (MLD)

International comparison – selected OECD countries

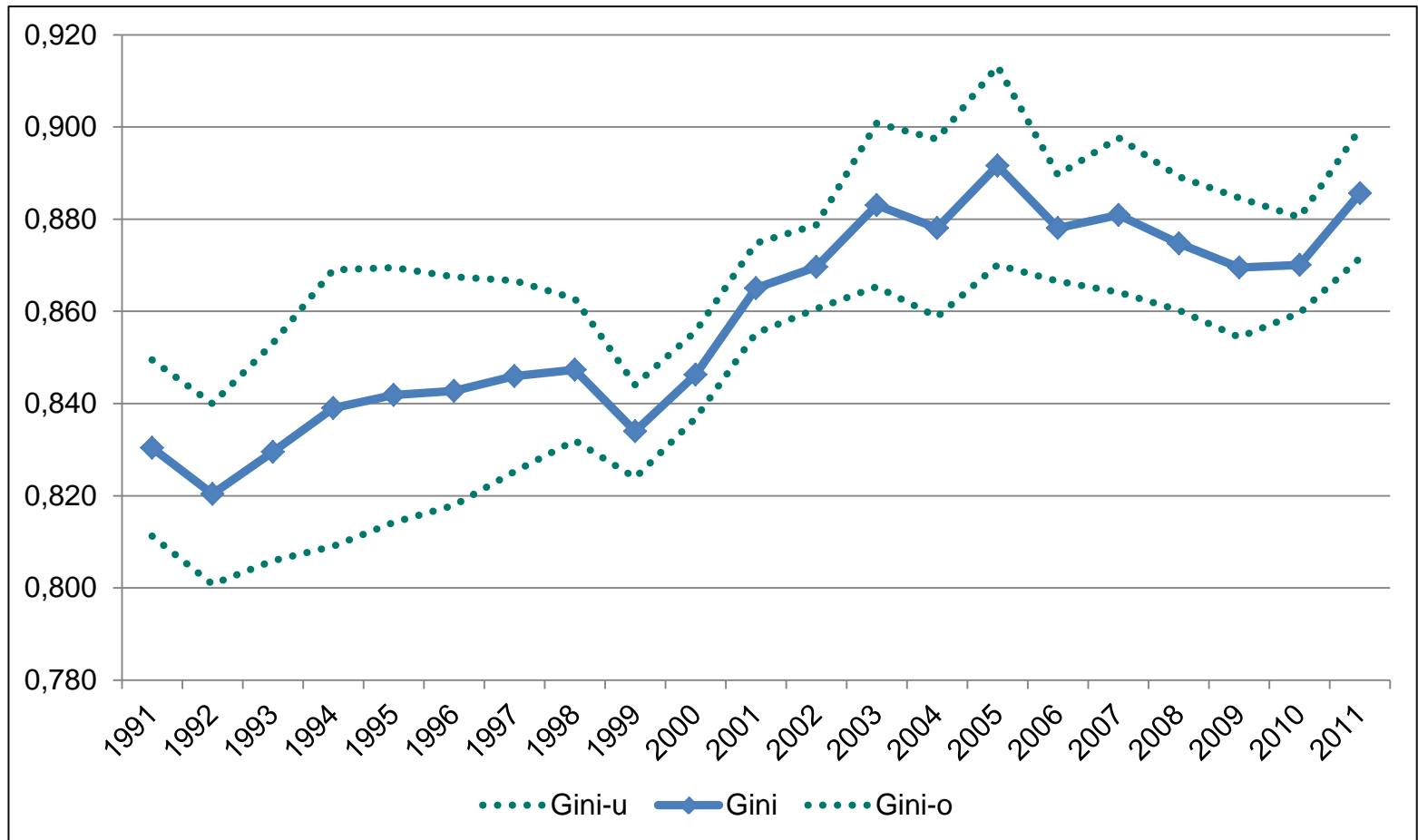


Poverty risk rate – Germany using SOEP and Microcensus



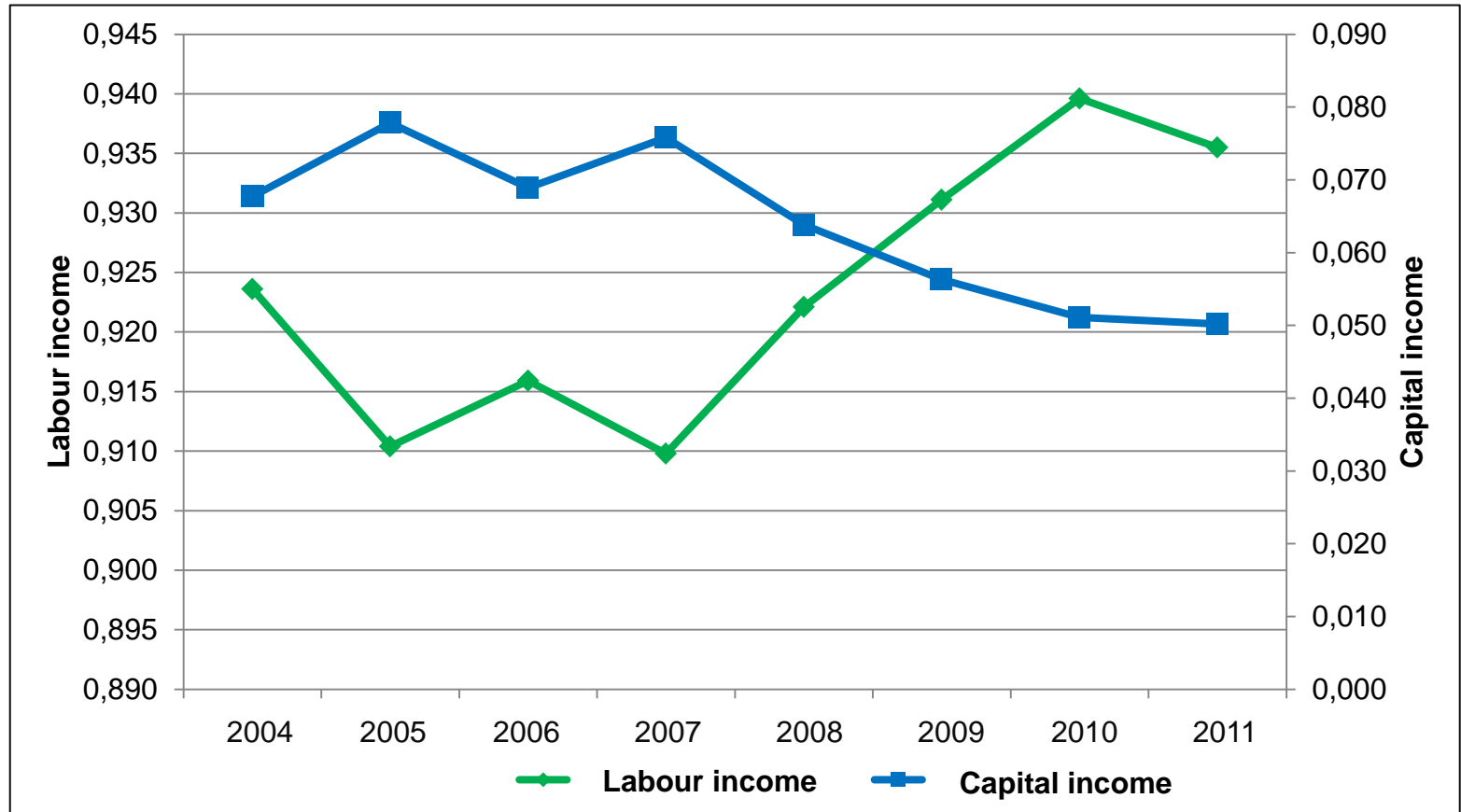
Poverty risk: < 60% of median equivalized post-government income

Gini of capital income – Germany 1991-2011

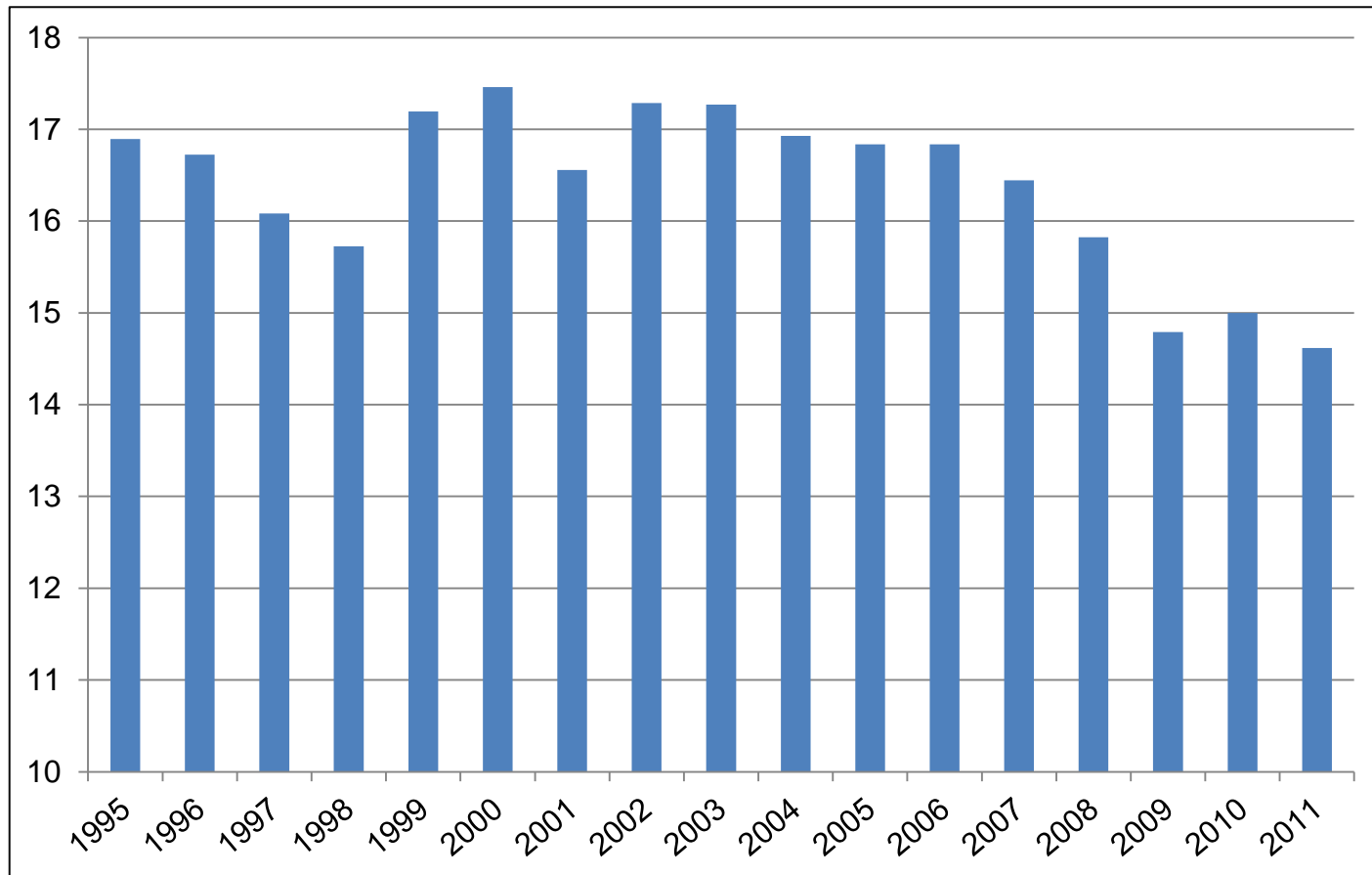


Source: SOEPv29, including income from renting and leasing

Relative contribution of labour and capital income to market income inequality (Gini coefficient)



Capital income as a share of market income (in %)



Source: SOEPv29, including income from renting and leasing

Wealth inequality

Hans **Böckler**
Stiftung 

Thanks to the Hans-Böckler-foundation

Fakten für eine faire Arbeitswelt.

Research project: „Vermögen in Deutschland – Status quo-Analysen und Perspektiven“
(Projekt-Nr: S-2012-610-4)

Socio-economic Panel (SOEP)

- Individual Wealth information collected 2002, 2007 and 2012
- Wealth of German population 17 years or older
- Limitation: undercoverage of multi-millionaires

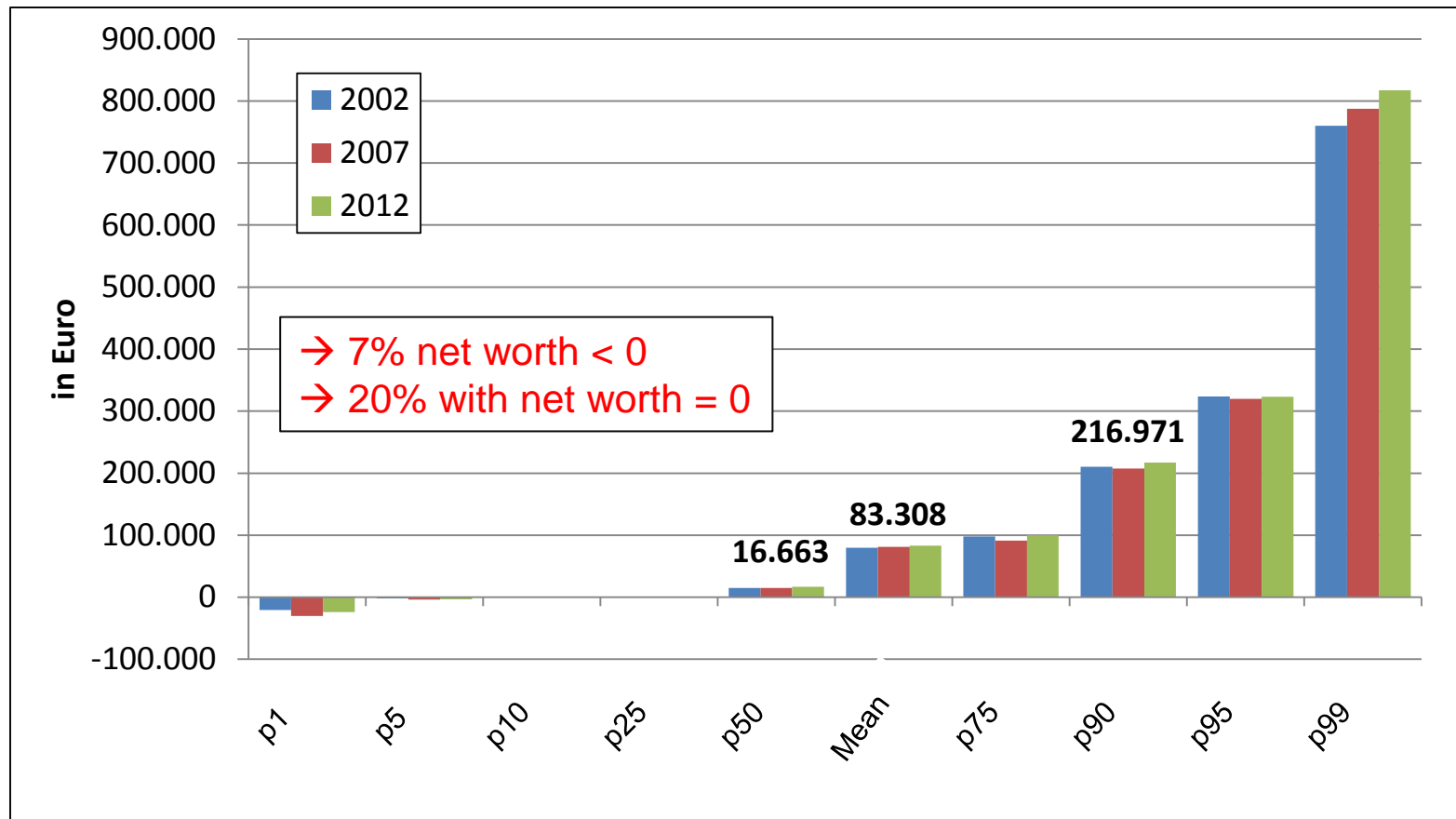
Wealth components

- Property (at home and abroad)
- Financial assets (savings, stocks, funds, private pensions, etc.)
- Business assets
- Valuables (gold, jewelry, art, etc.)
- Mortgages
- Consumer credits

Not considered

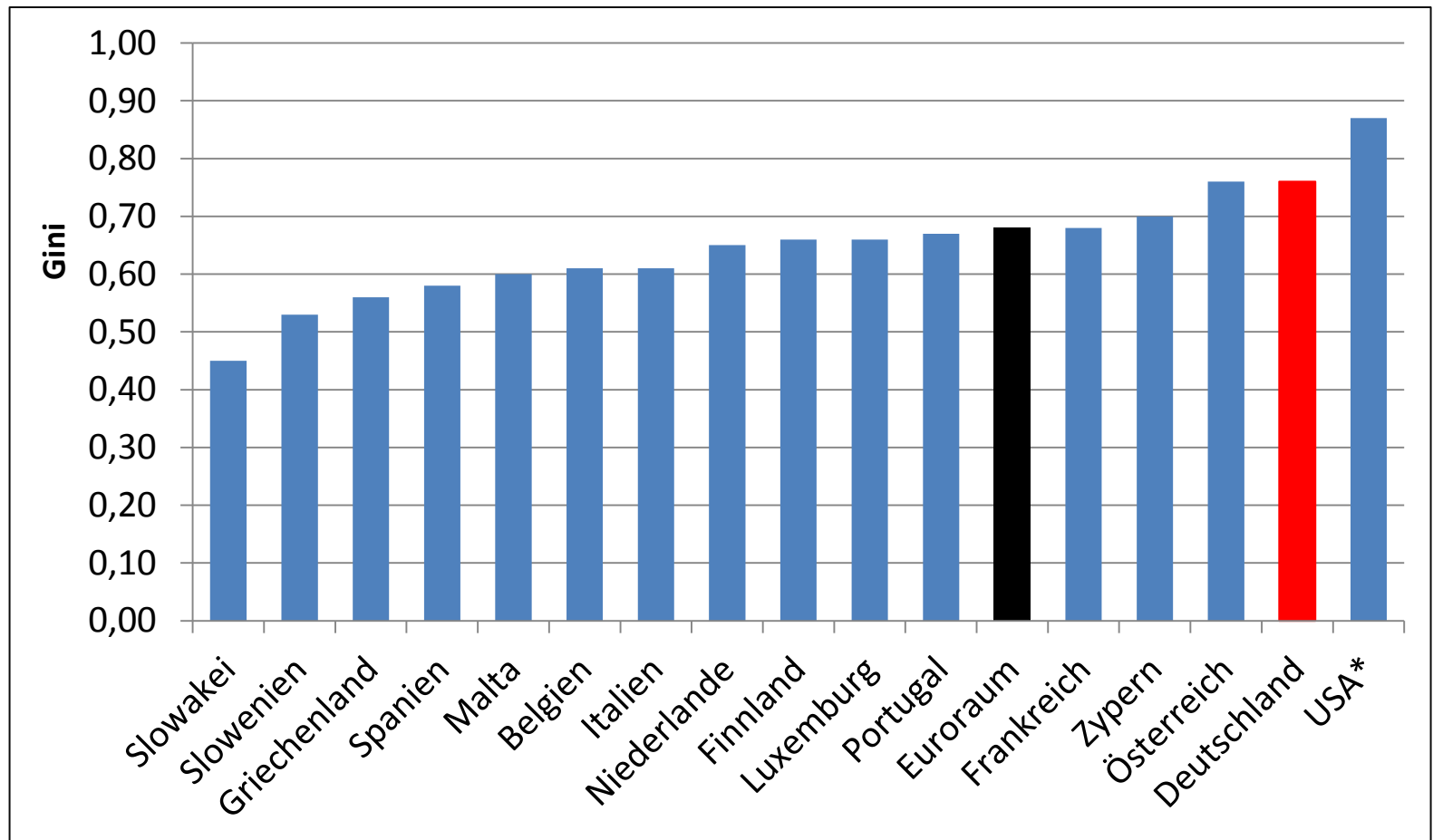
- Without household goods and vehicles
- Without cash
- Without entitlements to private health insurance
- Without entitlements to public pension schemes (GRV, etc.)

Individual net worth – selected percentiles



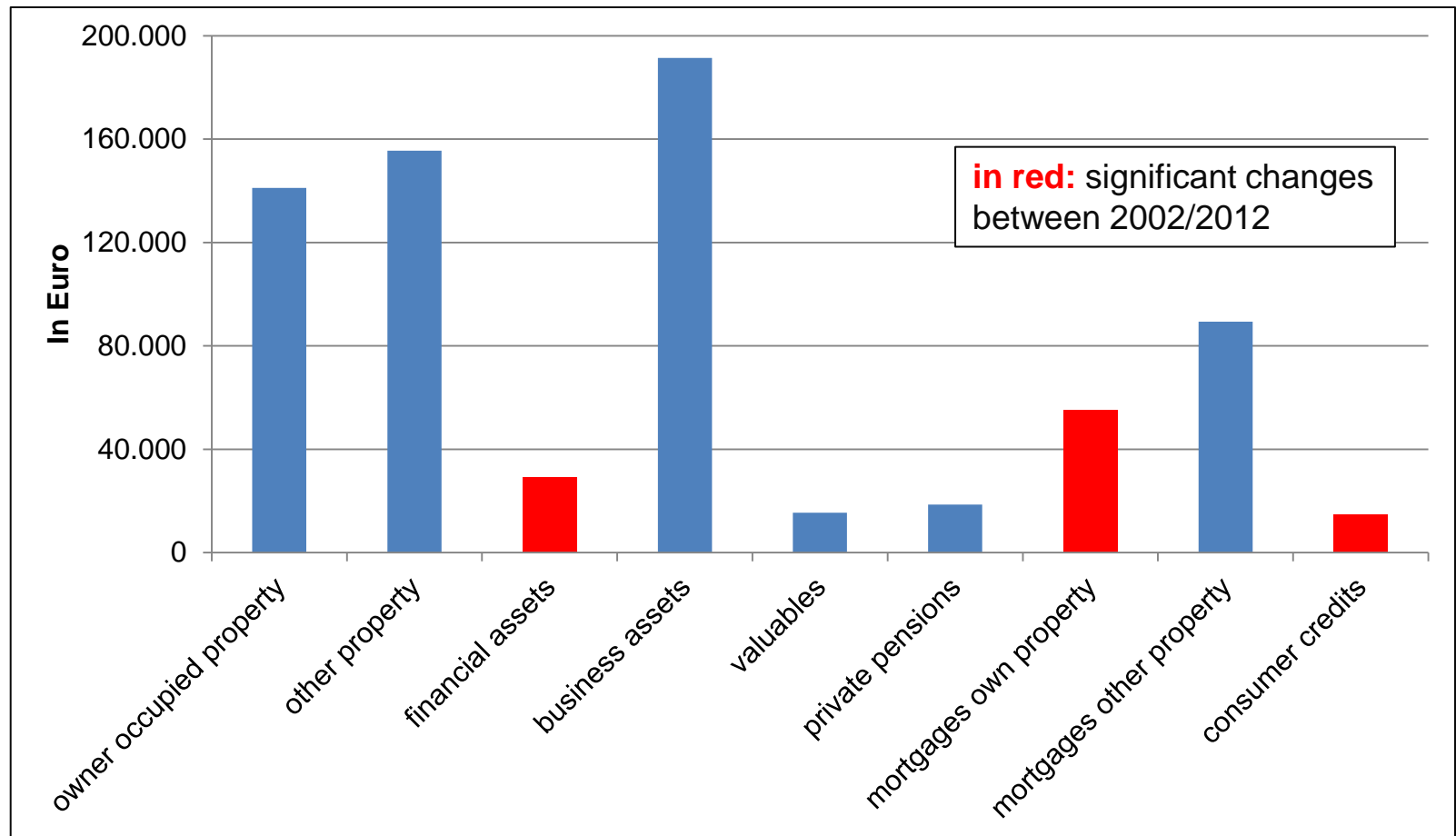
→ No significant changes since 2002/2007

International comparison – Gini-coefficient

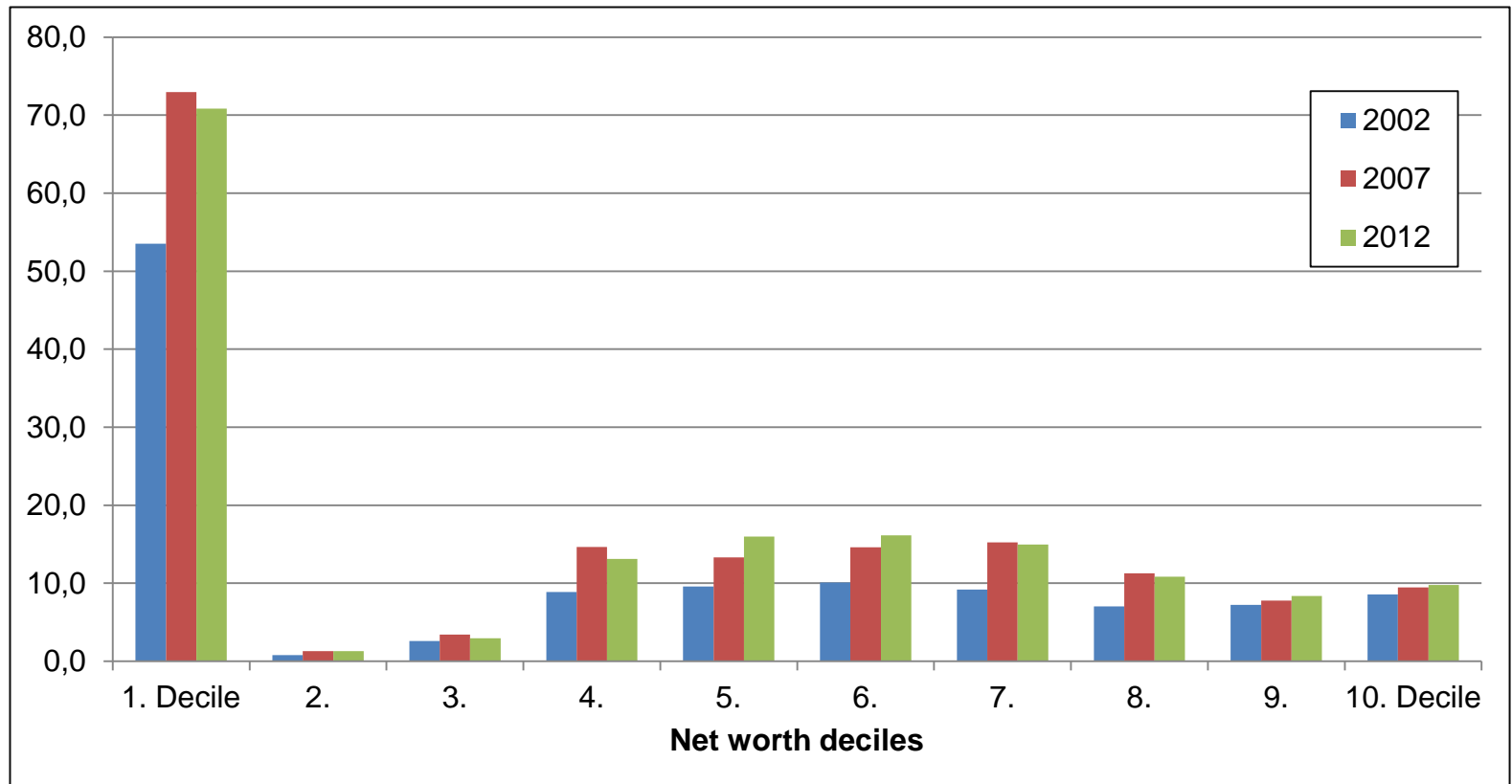


Source: Peter Mooslechner (2013) / * Wolff (2013)

Wealth portfolio – mean for each wealth component 2012

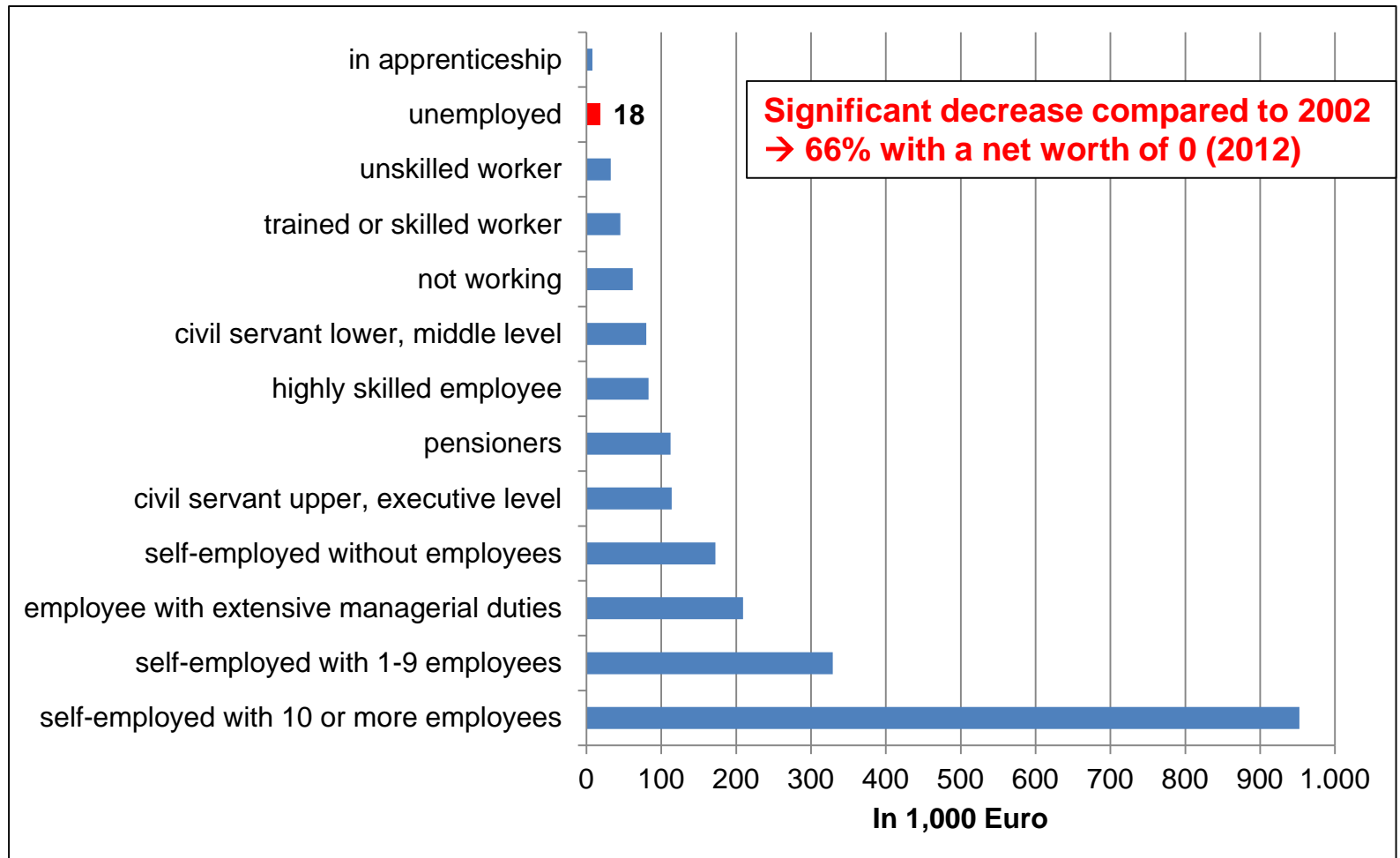


Share of individuals holding consumer credits by net worth deciles (in %)



Total population 2002: 11.7% → 2012 16.4%

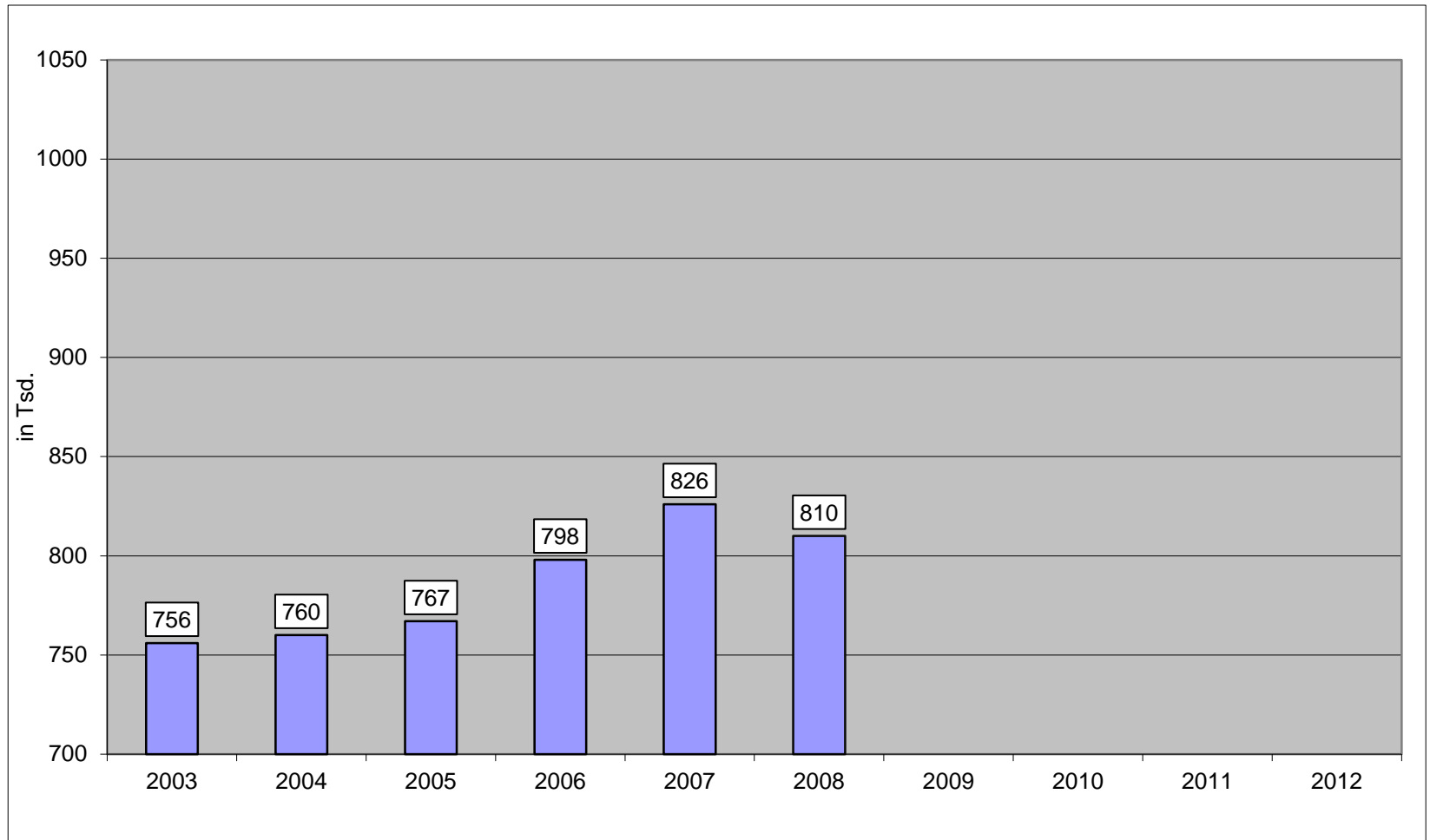
Net worth by social rank 2012



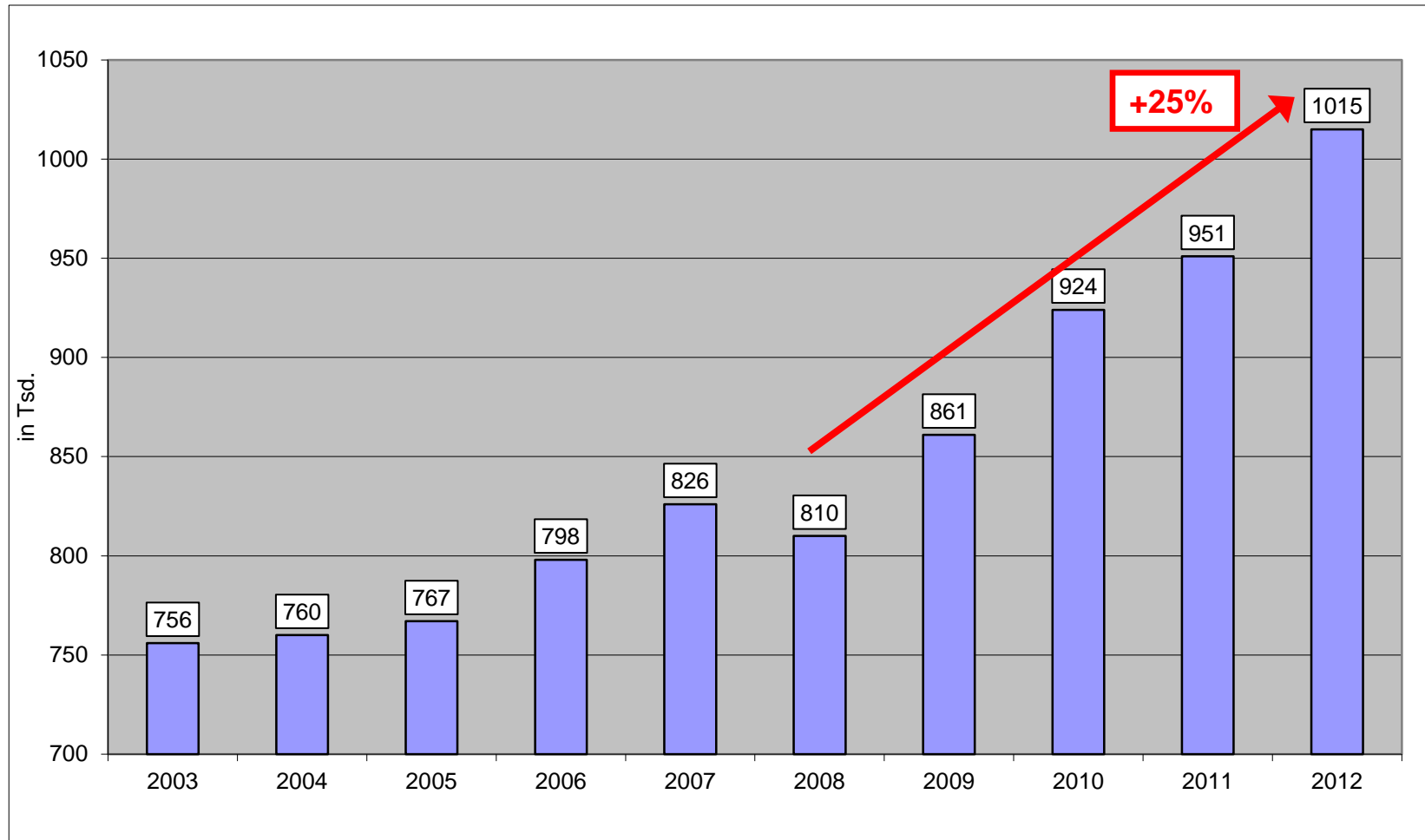


Undercoverage of top wealth individuals

Net worth millionaires in Germany 2003-2012



Net worth millionaires in Germany 2003-2012



Income Inequality

- Strong increase until 2005
- Since then stagnation, poverty still increasing
- Relevance of capital income decreased

Wealth inequality

- Remains at high level
- Increasing share of individuals with consumer credits (negative net worth)

Limitations

- Very rich not covered by SOEP

Causes

- Increasing public debt (economic stimulus plans)
- Short-time work / working time accounts
- Quick restart of exports

Further research

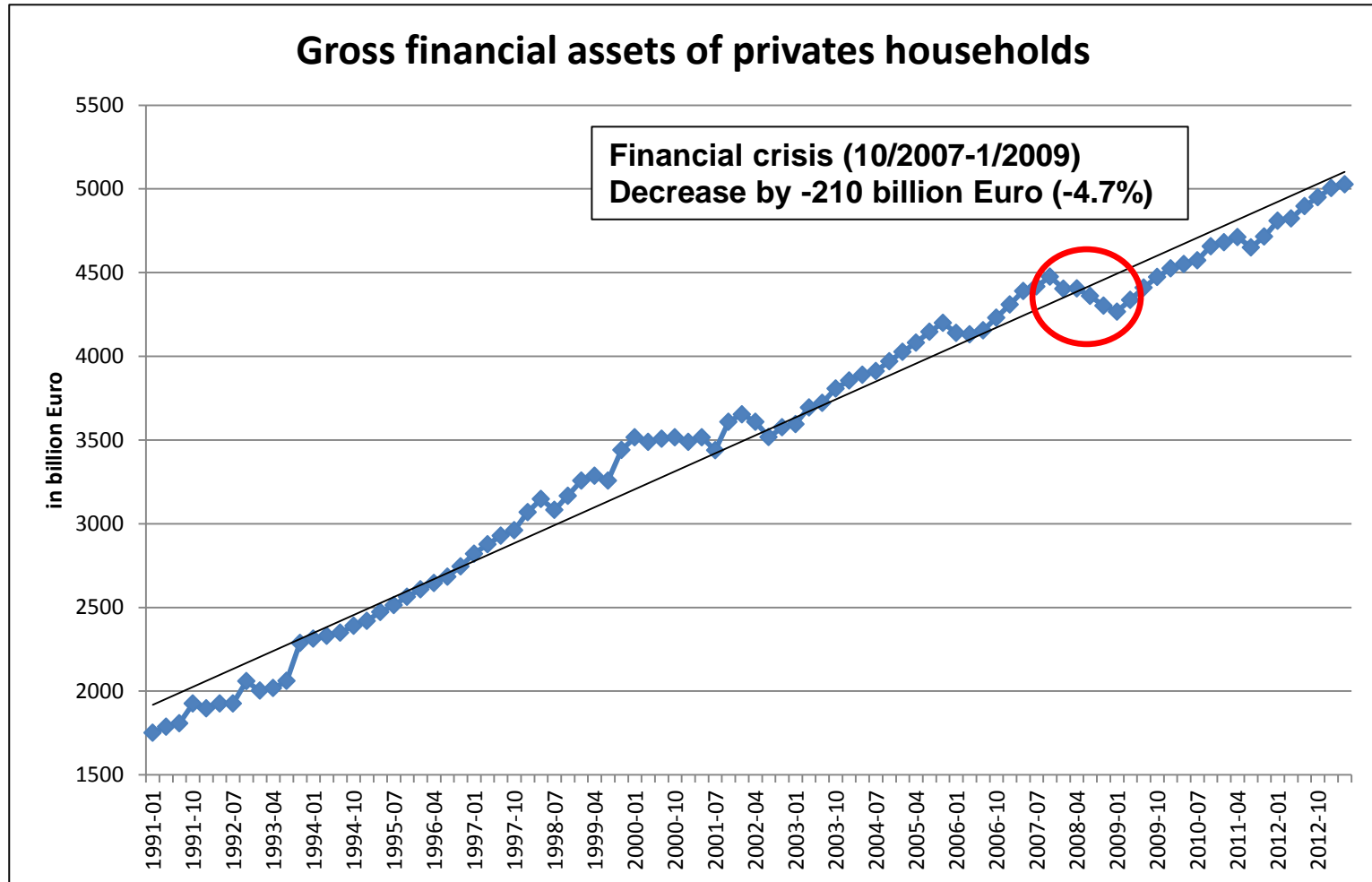
- Only modest effects in the short term
- Long term effects? (increasing taxes, low interest rates, ...)

Thank you for your attention.

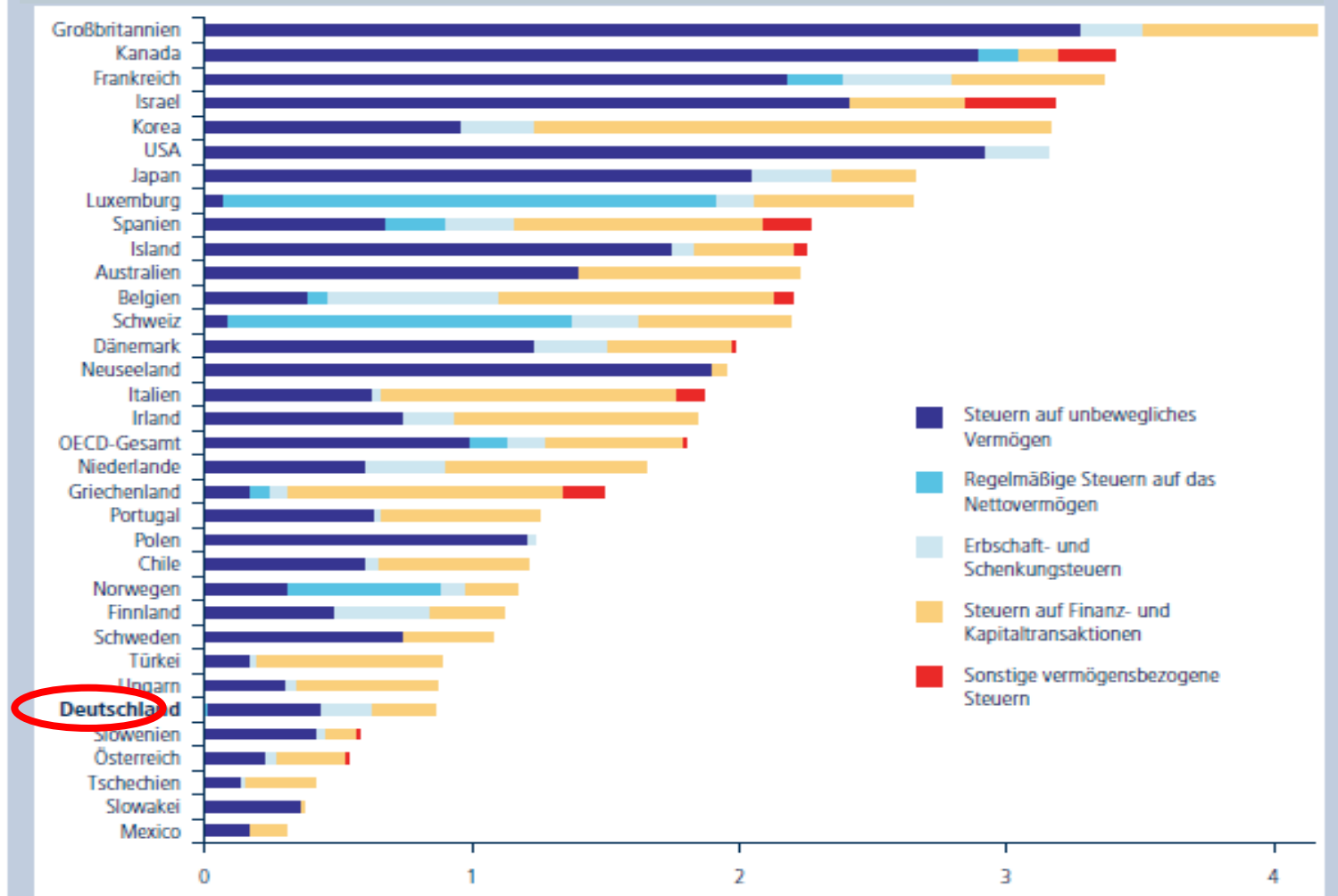


**DIW Berlin — Deutsches Institut
für Wirtschaftsforschung e.V.**
Mohrenstraße 58, 10117 Berlin
www.diw.de

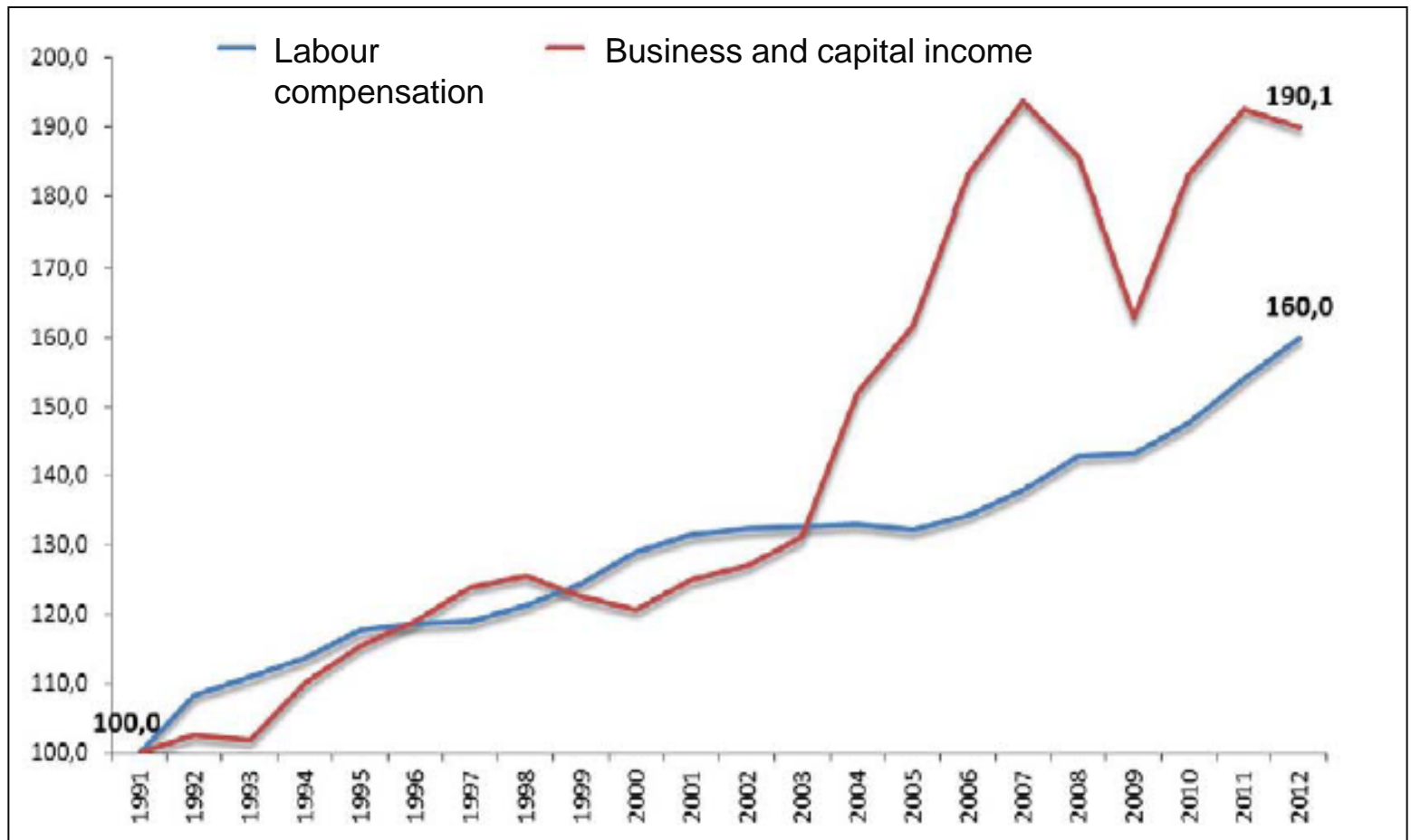
Editor
Dr. Markus M. Grabka
(mgrabka@diw.de)



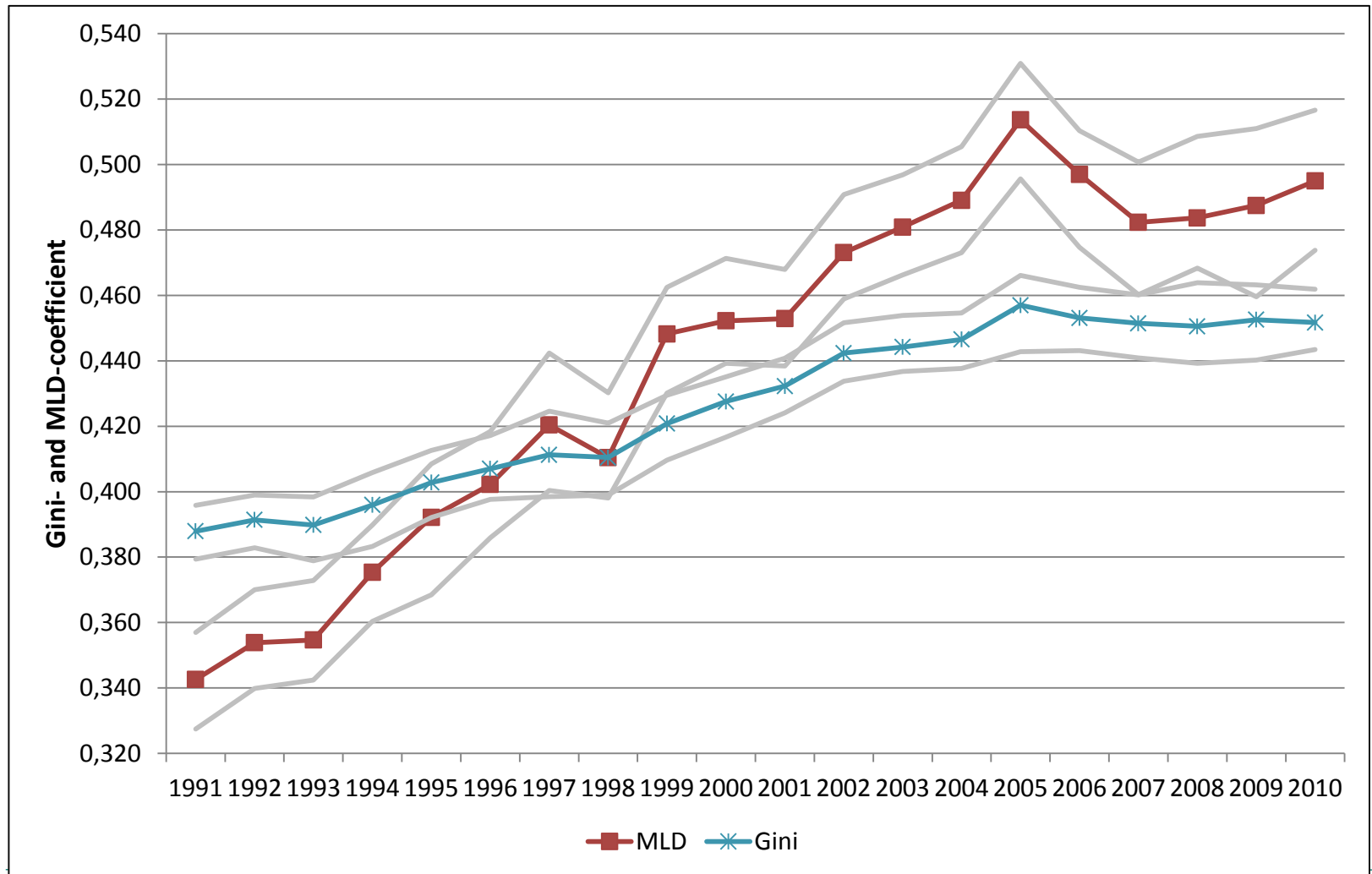
Wealth related taxes as a percent of GDP, 2008



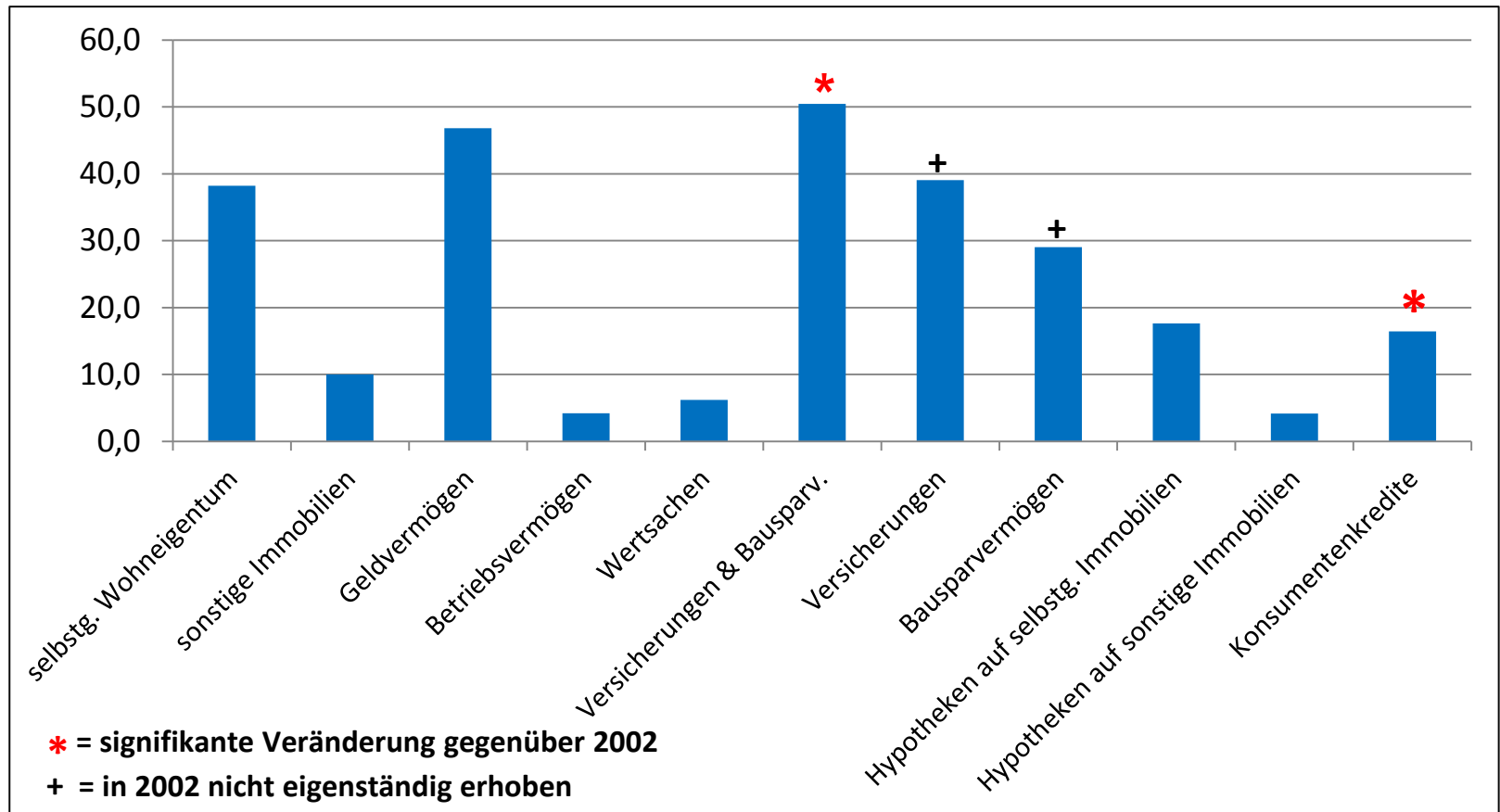
Labour compensation, business and capital income (1991=100)



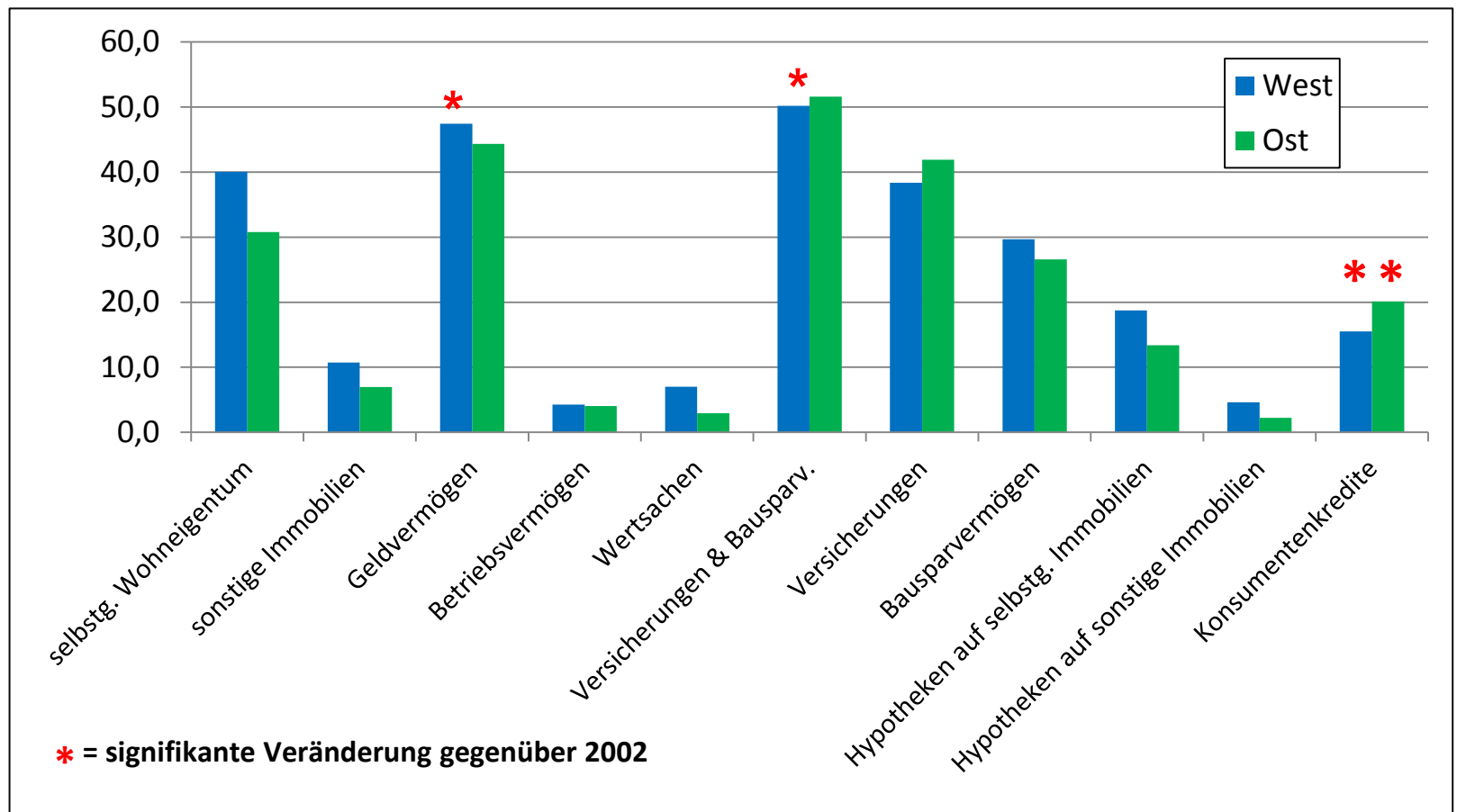
Inequality of annual labour income



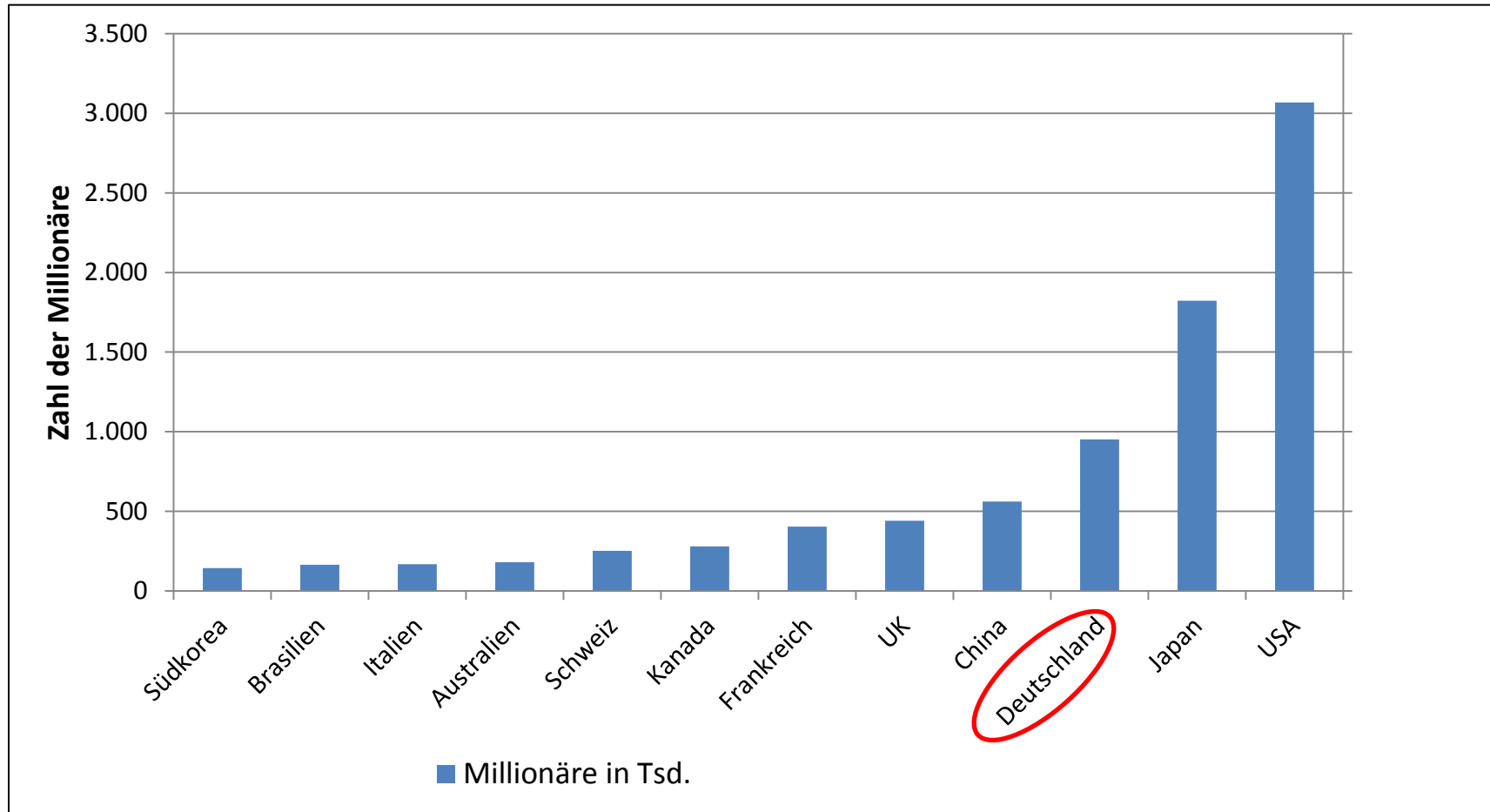
Share of persons holding a wealth component 2012 (in %)



Share of persons holding a wealth component by region 2012 (in %)

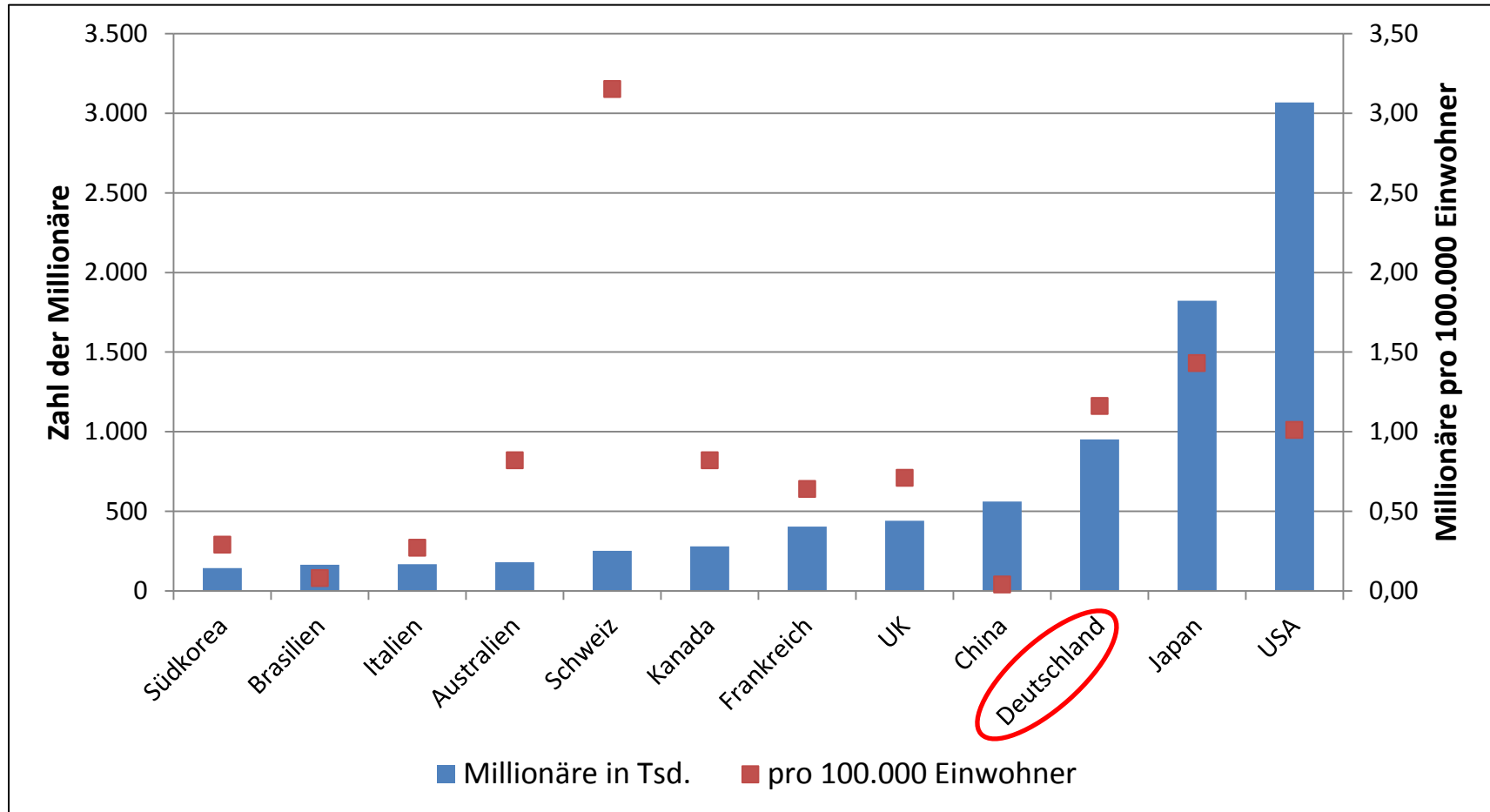


Net worth (US-Dollar) millionaires 2011



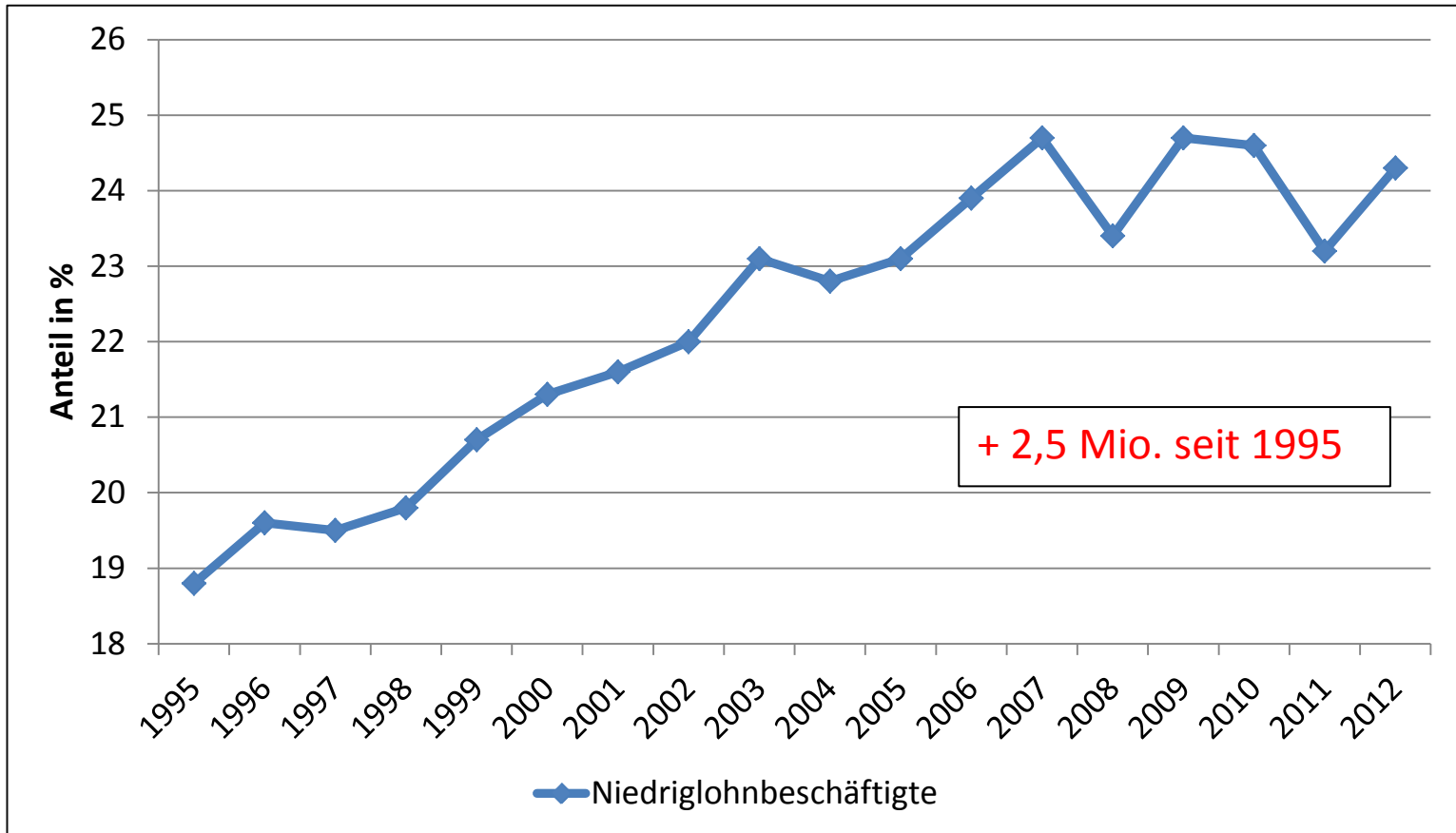
HNWIs are defined as those having investable assets of US\$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables.

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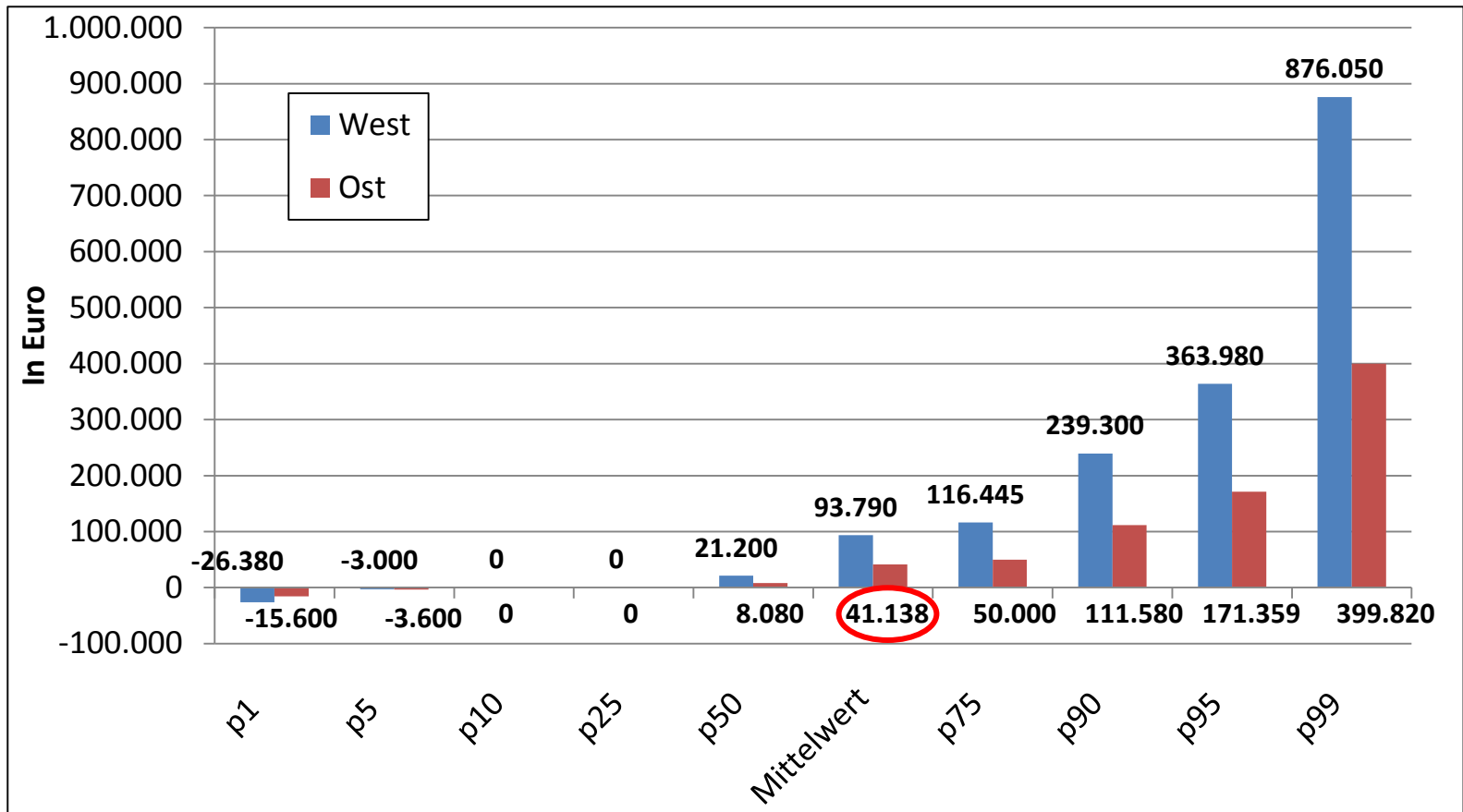
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Share of working-poor in Germany 1995-2012



→ 2nd highest share of working poor in Europe after Lithuania (IAB 2013)

Individual net worth – selected percentiles

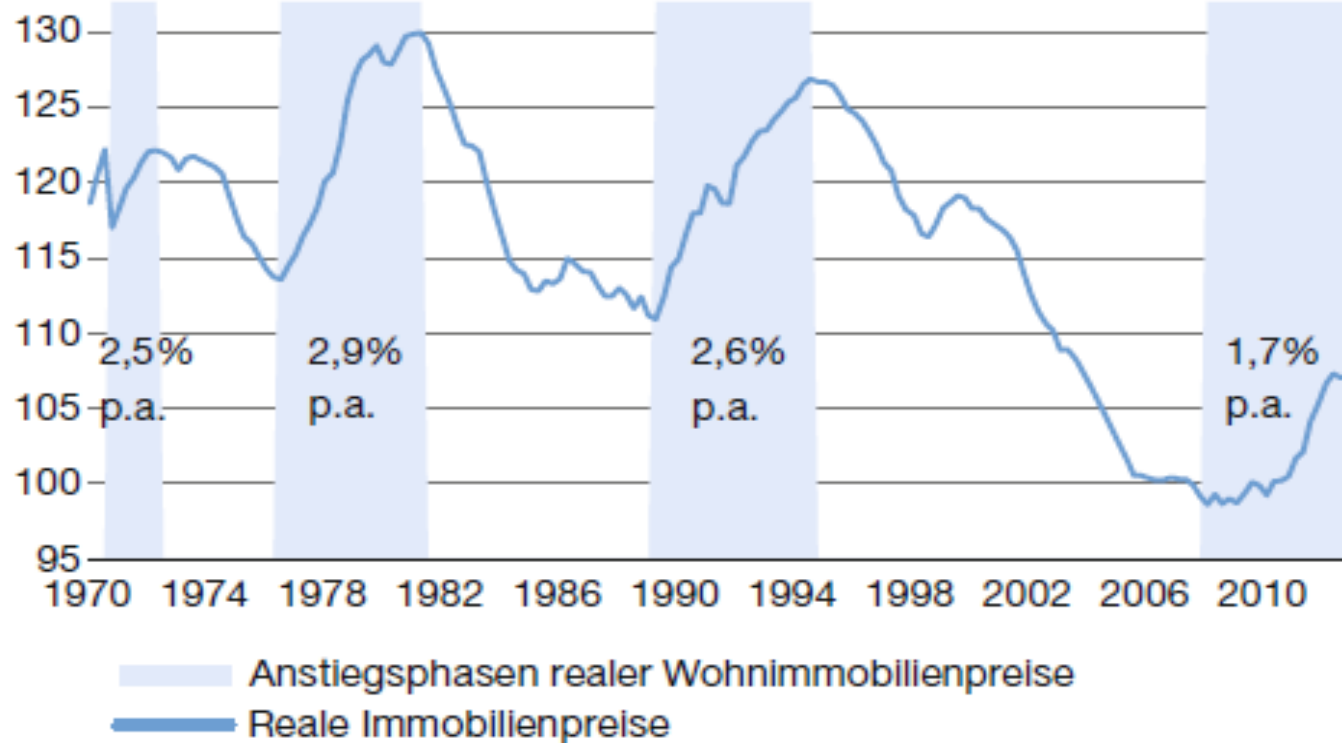


Abgleich mit der sektoralen Vermögensbilanz

	DESTATIS			SOEP			Erfassungsgrad in %		
	2002	2007	2012	2002	2007	2012	2002	2007	2012
Vermögensbilanz (in Mrd. Euro)									
Aktiva	8.052	9.818	11.348	6.929	7.278	7.425	86,1	74,1	65,4
Nutztiere und Nutzpflanzungen	3	5	/	---	---	---	---	---	---
Ausrüstungen	125	127	133	---	---	---	---	---	---
Bauten + Bauland	4.339	5.203	6.261	4.780	4.868	5.142	110,2	93,6	82,1
Bauten	3.074	3.650	4.302	---	---	---	---	---	---
Wohnbauten	2.742	3.278	3.888	---	---	---	---	---	---
Nichtwohnbauten	331	371	414	---	---	---	---	---	---
Bauland	1.265	1.553	1.959	---	---	---	---	---	---
Immaterielle Anlagegüter	8	8	9	---	---	---	---	---	---
Geldvermögen	3.576	4.476	4.940	1.339	1.688	1.628	37,4	37,7	32,9
Bargeld, Einlagen, Wertpapiere	2.400	2.984	3.126	714	920	977	29,8	30,8	31,3
Ansprüche gegenüber Versicherungen, aus Pensionsrückstellungen sowie sonstige Forderungen	1.176	1.492	1.813	1.321	1.397	1.237	112,3	93,6	68,2
Kredite und sonstige Verbindlichkeiten	1.553	1.547	1.566	1.126	1.162	1.146	72,5	75,1	73,2
Wohnungsbaukredite	---	1.048	1.075	---	1.001	986	---	95,5	91,7
Konsumentenkredite	---	200	194	---	161	161	---	80,8	82,7
Gewerbliche Kredite und sonstige Verbindlichkeiten	---	300	297	---	---	---	---	---	---
Reinvermögen	6.499	8.271	9.782	5.802	6.115	6.278	89,3	73,9	64,2
<i>Gebrauchsvermögen privater Haushalte</i>	862	892	929	---	---	---	---	---	---
<i>Reinvermögen einschließlich Gebrauchsvermögen</i>	7.361	9.163	10.710	---	---	---	---	---	---

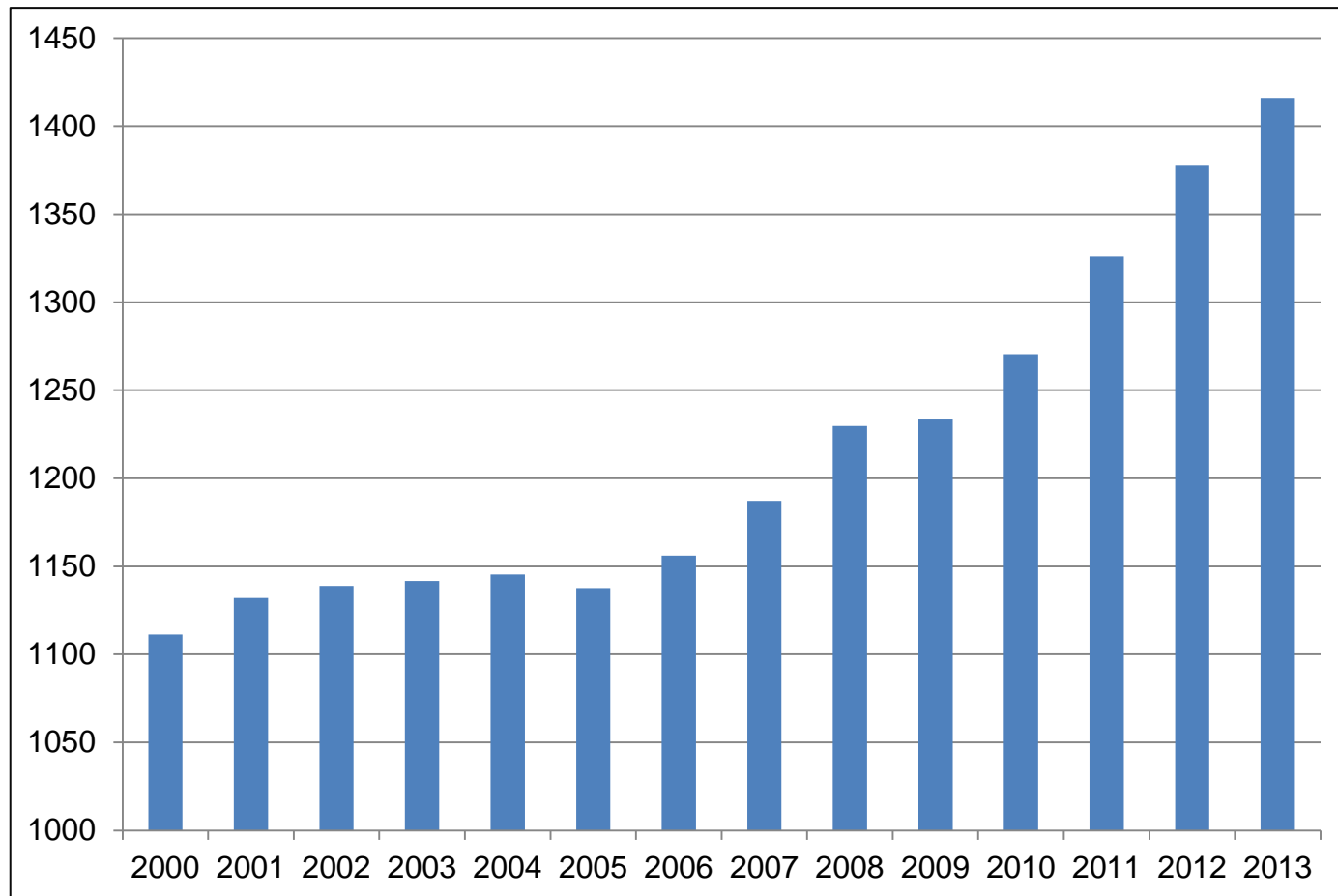
Reale Immobilienpreise in Deutschland

Index 2010 = 100



Quelle: Möbert, Peter und Lechner (2014)

Labour compensation (nominal in billion Euro)



Thomas Piketty

- $r > g$ (returns > growth)
- *„Piketty behauptet, dass das liberale Aufstiegsversprechen eine Illusion ist, weil die oberen Zehntausend längst Gipfel erklommen haben, die anderen unerreichbar bleiben; dass es sich beim meritokratischen Prinzip („Leistung lohnt sich“) um eine Leerformel handelt, weil sich die Leistungslosigkeit der Erbengeneration mehr lohnt.“*
(Dieter Schnaas, Wirtschaftswoche 5.5.2014, S. 20)

Unemployment in Germany

