

Title: *The Effects of Social Security on the Distribution of Wealth in Italy*

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The degree of substitutability between social security wealth and private wealth is a much-debated topic; however, less time and energy has been devoted to the study of the distributive properties of a measure of wealth summing future pension benefits net of contributions to the other traditional components of households' net worth (financial and real activities, net of liabilities). The present paper has two essential aims: by using six cross-sections of the Bank of Italy's Survey of Income and Wealth (1991, 1993, 1995, 1998, 2000 and 2002), it firstly aims to estimate an "augmented" measure of net worth incorporating social security wealth, and secondly it examines the composition and distribution of such augmented wealth among Italian households during the period 1991-2002. The result is that augmented wealth is found to have remained constant in real term over the last decade due to two opposing forces, namely an increase in net worth and a parallel, stronger decline in social security wealth, resulting from the two main pension reforms implemented in 1992 and 1995. Wealth inequality, after rising steeply at the beginning of the 1990s, leveled off during the second part of the period in question. The major contribution towards this upwards movement came from social security wealth, the distribution of which, although less unequal than that of real wealth and financial wealth, widened at a much faster pace at the beginning of the decade.