

## **Wealth Deprivation and Ethnicity**

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Traditionally, literature on inequality has been concentrated on studying the distribution of household income and its evolution in a dynamic perspective. Nevertheless, it worth devoting more attention to other material resources households may have command on and how these are distributed. In fact, more recently, the analysis of wealth has increasingly gained attention in the study of individual's well-being (see Davies et al. (2006), among others). Moreover, as for income, aspects related to ethnicity and migration status may represent key determinants of households wealth distribution. However, even though there is an extensive literature on wealth inequality (see, Krivo and Kaufman (2004); Cagetti and Nardi (2006); Bover (2010), among others), to the best of our knowledge, a multidimensional measure of wealth deprivation and the links between this deprivation and migration have not been fully explored.

The aim of the present paper is thus twofold. First, we investigate empirically household's multidimensional wealth deprivation in financial and non-financial domains. Using data from the recent Luxembourg Wealth Study (LWS) database, we assess and compare relative wealth deprivation in UK, Italy, Germany, Scandinavian countries, Cyprus and Austria. Second, we explore the relationship between ethnicity and the distribution of wealth. Moreover, an additional focus of our analysis will be on how migrations status determine the accumulation of wealth by households.

This paper contribution links naturally to the literature on multidimensional indices of inequality and poverty (see Sen (1979); Bourguignon and Chakravarty (2003); Chakravarty et al. (2008), among others). It links also to the literature on the portfolio choices and the wealth gap of migrants (see Wolff,(2001); Cobb-Clark and Hildebrand, (2006a,b,c) among others). While these studies focus mainly on U.S. foreign-born population, in this paper we analyze the European counterpart, to which, to the best of our knowledge, not much attention has been given in the literature.

Dealing with the different dimensions of wealth requires taking into account the fact that some households may not have records on all material resources considered. Thus, tobit models allow to estimate consistently coefficients including all households considering their wealth as missing.

We expect to find significant differences in the wealth distribution among natives and non natives and significant effects of ethnicity on wealth deprivation, which, beside the effects of income variables and socio-demographic characteristics (education and life cycle), may confirm some form of discrimination in the financial markets.

This analysis is interesting because it allows to disentangle the different components of wealth differential. In fact, from one perspective, we derive that income gaps cannot explain wealth

deprivation gaps by ethnic groups, but these may derive from gaps in other dimensions, like education attainments, household composition, labor participations, etc. From another perspective, this analysis helps reflecting on the fact that wealth deprivation leads non-native households to more difficulties in acquiring resources to provide for themselves in the older age. Both these issue may urge reflection on the effects of migration policies and on the State's burden of non-native people during their period of retirement.