Missing the Wealthy in the HFCS: Micro Problems with Macro Implications

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Macroeconomic aggregates on households' wealth have a long tradition and are widely used to analyse and compare economies, yet they do not provide any information about the distribution of assets and liabilities within the population.

The Household Finance and Consumption Survey (HFCS) constitutes a rich source of micro data that can be used to link macro aggregates with distributional information to compile Distributional National Accounts for wealth. Computing aggregates from this survey usually yields much lower amounts than reported by macroeconomic statistics. An important source of this gap may be the lack of the wealthiest households in the HFCS which heavily contribute to total wealth.

This paper combines a semi-parametric Pareto model estimated from survey data and observations from rich lists with a stratification approach making use of HFCS portfolio structures to quantify the impact of missing wealthy households on instrument-specific aggregates. It proposes an analytical as well as a simulation version of the methodology. We analyse data for Austria and Germany, and find that adjusting for the missing wealthy increases instrument-specific aggregates, pushes up inequality even further, has large effects on equity, but explains less than ten percentage points of the micro-macro gap for most other instruments.