Discussion of the paper

The concentration of personal wealth in Italy, 1995-2013

P. Acciari, F. Alvaredo and S. Morelli

Giovanni Vecchi
U. Rome "Tor Vergata"

How financial systems work: evidence from financial accounts
Bank of Italy – December 1st, 2017

A most interesting paper

- A relevant topic
  large percentage of wealth held by 1 percent of the population
- New data
  confidential inheritance tax register data
- Cutting-edge methodology
  only skilled artisans engage with empirical exercises as those carried out in this soon-to-become a paper

The topic

- estimating the concentration of personal wealth and its evolution since mid-1990s, in Italy
- no SHIW, thank you

The data

- What’s wrong with SHIW?
- Do survey data give a good account of the distribution wealth? No. A major problem is in the right tail: under-sampling of wealthy individuals.
- Estimated levels may be wrong, and also trends can go wrong
- Proposed solution: confidential inheritance tax register data
- Too confidential in the presentation – too difficult to comment on for the discussant.

Method

concerns

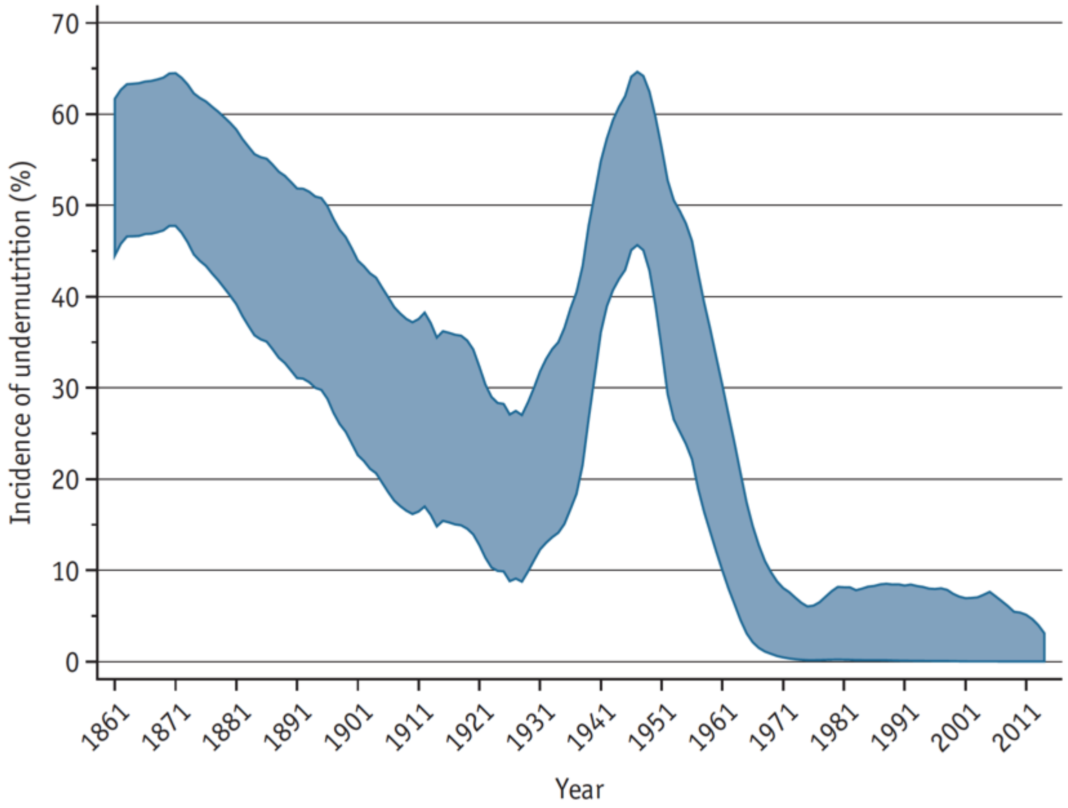
- Every time you have tax data, multipliers show up
- Not only that, you have a host of other adjustments required
- Readers have little choice but to buy the Authors' multipliers and adjustments, and to ask for sensitivity analysis.
- We have seen all this before: Baffigi (2007) – same room as today – but also Cannari and associates (countless contributions).

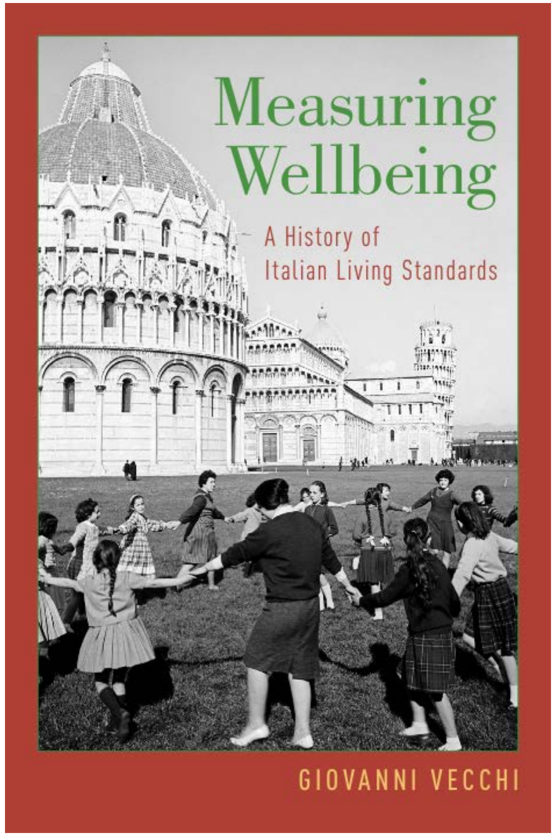
Statistical significance and robustness

- Calculating confidence intervals is clearly desirable, but may not be feasible
- I am confident that Authors have carried out sensitivity exercises, and diligently discussed pros and cons.
- I really think I should be happy with that.
- But I am not.
  My suggestion is to assess the cumulated impact of the many adjustments and assumptions and let the reader know about the result.
- I suggest to consider the idea of the tunnel …

Beyond confidence intervals

Vecchi (2017), OUP



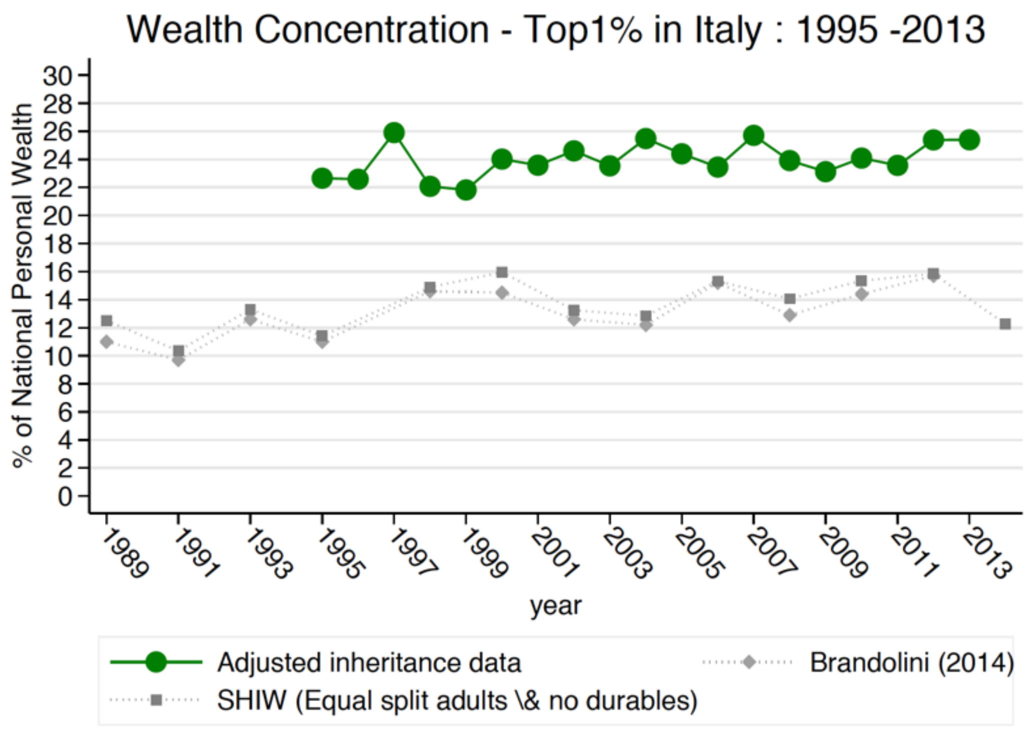


The tunnel in practice

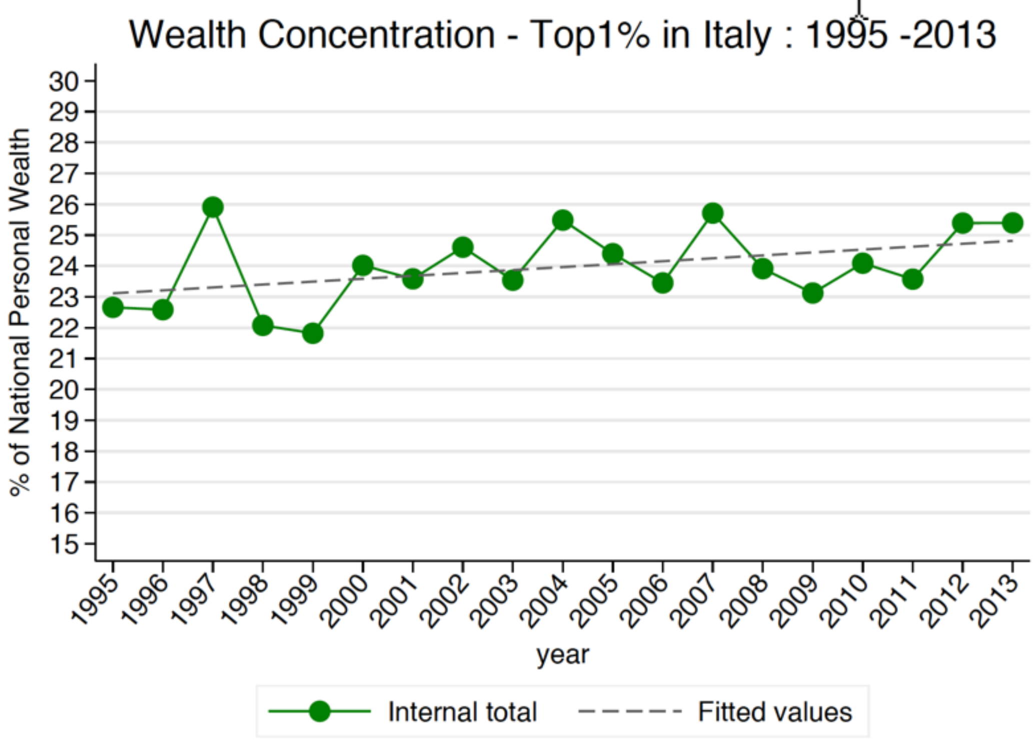
- Mortality multipliers, cadastral rent multipliers, …
- “aggregate correction factor across cadastral category and geographical location” (???)
- Adjustments to the real estate cadastral value
- Imputing missing wealth and liabilities
- Need to use proxy variables (more than on candidate)
- All this feed my concerns to focus on a classical time series: I would consider supplying the lower and upper limits of the estimated series, that is, the tunnel.

Concluding random remarks - I

- Reconstructing time series is not remunerative for scholars. I feel grateful for this contribution
- I appreciate the empirical complexity of the exercise, and value the contribution to the current debate.
- If the authors are right, the size of the revision deserves the general attention



Concluding random remarks - II



- Upward trend?
- Maybe, yes. Maybe no.
- Mills and Zandvakili (1997, JAE) suggest caution
- Kennickell (2009) suggests caution too (very few of the year-to-year changes are statistically significant)

Concluding random remarks - III

- Aggregation
  why three macroareas? Why not regions? or provinces?

- Browsing the appendix:
  why not creating “upper” Growth Incidence Curves (GICs)?

- Thank you for you attention