Personal Assets from a Global Perspective

Introduction

Wealth is one of the two major sources of household income, human capital being the other one. For income, there is a huge literature on the distribution within countries, and there is also a sizable literature on the global distribution. In 2005 UNU-WIDER launched a project titled ‘Personal Assets from a Global Perspective’. The project was directed by James Davies (University of Western Ontario) and Tony Shorrocks (UNU-WIDER), and its aim was to assemble never before gathered data about the distribution and composition of personal assets globally, in developing, transition, and developed countries, and to study the implications of personal asset-holding for economic development.

There is great media fascination in the activities and lifestyles of the super-rich. More important than this is that personal wealth is crucial to understand the lives of those of more modest means as a store of potential consumption, as a cushion against emergencies, and as collateral for business and investment loans. This UNU-WIDER project was the first global study of household assets and debts. It documents not only the level, distribution, and trend of wealth holdings in rich nations, but also addresses developing countries like China and India. The situation in Latin America and Africa is given attention along with the experiences of Russia and other transition countries. Components of household wealth like financial assets, land, and property are examined, as well as the gender division. Worldwide, it was estimated that the richest 2 per cent own more than half of total global wealth, and that this elite group resides almost exclusively in North America, Western Europe, and rich Asia-Pacific countries.

Study objectives

The aim of the research project was to assemble never before gathered data about the distribution and composition of personal assets globally in developing, transitioning and
developed countries, and to study the implications of personal asset-holding for economic development. Data on the level and distribution of household wealth is much less common than information on income or consumption; the project sought to rectify this. It also aimed to go beyond previous research into personal asset-holding by looking at the subject from a global perspective and by estimating how household wealth is distributed across countries and across the global population.

The most important asset types—financial assets, land, and housing—were given special attention. Life-cycle saving, self-insurance and other motives for saving, as well as their consequences for asset-holding, were also studied, along with important issues and historical experiences, including gender dimensions, the informal sector, privatization programmes in transition countries, and the impact of land registration schemes.

Methodologies

The research drew on three main sources of evidence; data on investment income, wealth and estate tax records, and household surveys. Wealth comparisons between countries were made using purchasing power parities and models were designed to counteract the impact of the differing definitions used by individual countries wealth tax records.

The project team consisted of about 30 scholars specializing in income distribution and inequality, drawn from a variety of developed, developing, and transition countries. Different papers addressed each of the key areas and a wide variety of quantitative and qualitative measures were utilized. The scope of the papers ranged from tightly focused case studies of individual countries to global cross-country analyses. Further papers focused on specific aspects of wealth such as financial assets, housing, and the gender dimension.

Key findings

As well as the headline grabbing statistics highlighted by this study (the richest 2 per cent own more than half of total global wealth) a number of important policy conclusions can be drawn from the research:

- Low wealth and poor access to credit exacerbate poverty problems in developing and transition countries. Providing institutions, programmes, and policies that will help the poor to build their wealth and borrow on appropriate terms is therefore an objective that should have wide support.

- In developing countries with very unequal distribution of land, and in transition countries with questionable privatization practices, there tends to be great inequality
of income and wealth. If equitable land reforms or redistribution of privatized assets can be performed in an orderly fashion, and have broad popular support, then they would seem to have much to recommend them.

- Future national and international assessments of poverty and inequality should make the best possible use of data on household assets and wealth, in addition to studying consumption and income.

- More needs to be done to increase the quality and availability of household wealth data. Central banks and national statistical agencies should work to produce household balance sheet estimates. Wealth questions should be included on household surveys, and wealth surveys should over-sample the upper tail in order to obtain the most accurate possible results. Finally, international co-operation must be established in order to compare methods and experiences and to spread best practices in the development of household wealth data.

Research uptake

The research, and particularly the book, has shown appeal to scholars and members of the general public interested in global economic issues, as well as social scientists in universities and business schools. The research contains powerful ammunition for those who see increasing inequality as an inevitable consequence of globalization.

In December 2006, critical findings of the research were launched at the Foreign Press Association in London, and the UN Secretariat in New York, both causing considerable media stir. To date the research has received directly 80+ media (newsprint, TV, internet) mentions, and countless non-direct mentions where the research data is given but no attribution to the source is cited (for example the ongoing ‘occupy’ trend in Europe and the USA could be citing the ‘popular data’ findings). Tony Shorrocks gave an interview on the BBC’s Hardtalk programme, plus was interviewed on the UN channel in New York.

Selected media coverage

BBC News–Richest 2% own 'half the wealth'

The Times–Richest tenth own 10% of the world's assets

The Guardian–World's richest 1% own 40% of all wealth, UN report discovers

The Financial Times–Chinese to climb ranks of world's richest
The New York Times–A wide gulf remains between rich and poor, global report shows

The Huffington Post–Let America be American Again: Racial Wealth Equity

The Sydney Morning Herald–What's left of the cake can hardly feed the poor

The Hindustan Times–Hey, that's rich!

Helsingin Sanomat–WIDER Report: Finland among the poorest of the rich in household wealth

Le Monde–Half of humanity shares 1% of global wealth (in French)

Granma International (Cuba)–Racism and other fears

Research Papers

Personal Wealth from a Global Perspective
James B. Davies (ed)

Asset Portfolios in Africa: Evidence from Rural Ethiopia
Christian Rogg

Changes in the Distribution of Wealth in China 1995-2002
Shi Li and Renwei Zhao

Concentration among the Rich
A. B. Atkinson

The Distribution of Household Wealth in India
S. Subramanian and D. Jayaraj

Janine Aron, John Muellbauer, and Johan Prinsloo

Estimating the Level and Distribution of Global Household Wealth
James B. Davies, Susanna Sandström, Anthony Shorrocks, and Edward N. Wolff
The Evolution of Personal Wealth in the Former Soviet Union and Central and Eastern Europe
Sergei Guriev and Andrei Rachinsky

Gender and the Distribution of Wealth in Developing Countries
Carmen Diana Deere and Cheryl R. Doss

Household Financial Assets in the Process of Development
Patrick Honohan

Household Wealth in Latin America
Florencia Torche and Seymour Spilerman

Housing Privatization and Household Wealth in Transition
Ruslan Yemtsov

Housing and Personal Wealth in a Global Context
John Muellbauer

The Informal Sector in Developing Countries: Output, Assets and Employment
Sangeeta Pratap and Erwan Quintin

Land Reform and Landholdings in Brazil
Juliano Assunção

Land Titles, Credit Markets and Wealth Distributions
James C. MacGee

Long-Run Changes in the Concentration of Wealth: An Overview of Recent Findings
Henry Ohlsson, Jesper Roine, and Daniel Waldenström

Marketable Wealth in a Poor African Country: Using an index of consumer durables to investigate wealth accumulation by households in Ghana
Ronelle Burger, Frikkie Booysen, Servaas van der Berg, and Michael von Maltitz

Survey Estimates of Wealth Holdings in OECD Countries: Evidence on the Level and Distribution across Selected Countries
Markus Jäntti and Eva Sierminska

World Distribution of Household Wealth
James B. Davies, Susanna Sandström, Anthony Shorrocks, and Edward N. Wolff