Is the Top Tail of the Wealth Distribution the Missing Link Between the Household Finance and Consumption Survey and National Accounts

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Paper Abstract: Using data from the first wave of the Household Finance and Consumption Survey (HFCS) and financial accounts (FA) data from the euro area, this paper makes a comparison between both sources for Austria, Germany, France, Spain and Finland. Specifically, the focus of the comparison is on financial assets. Although wealthy households are oversampled in some countries in the HFCS, there is evidence that the top tail of the wealth distribution is not entirely covered by the surveys. Since wealth is concentrated, a limited coverage of the top tail of the distribution will lead to an underestimate of total wealth. As the analysis in Vermeulen (2016) has shown, adding the Forbes data to the survey observations can increase the top wealth shares for some countries significantly. What is missing so far in the literature is an estimate of how much of the gap between the micro and macro data is caused by the underestimation of the top tail of the wealth distribution. Knowledge of the size of this effect would be important to later combine distributional figures from the survey with FA. Therefore, this paper attempts to fill this research gap by following the approach of Vermeulen (2016) and fitting a distribution to the upper tail of the wealth distribution. This is done in three main steps: First, a naïve comparison which indicates gaps between the micro and the macro aggregates is performed. Second, the data of HFCS and FA are reconciled by identifying conceptual differences and coverage issues, which have been partly identified already in the literature. Finally, we focus on the wealthiest households and estimate how much of the gap can be attributed to this group. Therefore, the purpose of this work is not only to identify any of the differences, but to have a first estimate on the size of these sources. In the longer run it is important to understand the main reasons of these gaps to be able to develop further uses for linking micro and macro data. This paper brings us one step further in this direction.