

At the core of debates, wealth is still badly known in Europe

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As the 20th century comes to an end, the general lack of knowledge of households' wealth, notably in Europe, has not receded a lot. From the middle of this century until these last few years, economic theories have almost exclusively dealt with the equilibria or dynamics of flows (production, income, consumption, etc.) but largely ignored those of « stocks » (physical and financial patrimonies, and, to a lesser extent, amounts of liabilities).

Indeed, the Nobel Prize was awarded to Franco Modigliani for his theory of individual wealth accumulation through the life cycle, but, even to this day, data available to test this theory are so poor that one has trouble to check it thoroughly.

As to macro-economists, to put it simply and to avoid having to go too much into details, they have edicted once and for all the "golden rule" by which patrimonies and flows grow at the same speed.

Unfortunately things are more complicated and one had to wait until the last decade of this century to discover more precisely interactions between flows and stocks, be it only through the solvency rules imposed to financial institutions.

The disappointing consequences of moving to the « new system »

In Europe, 1999 was not only the year of the introduction of the euro, it was also the year when all national accounts were invited to « change their base year », changing the reference year from 1980 to 1995. Disregarding the technicalities of this reform, the latter implies also important conceptual redefinitions and new choices as far as certain calculation methods are concerned. More than a year after the enforcement of this « new system » of national accounting, one could hope that the knowledge of patrimonies would have made some progress.

The opposite actually happened : one must conclude to a regression. Regarding financial wealth, a specific, but crucial point was to harmonise their evaluation methods of non listed companies and of companies not issuing shares. Unfortunately, the delays announced for improving the situation in the various countries frequently exceed several years. Moreover, at a time when some European countries have just come to separate household accounts from those of companies, information on financial flows is still sometimes published without any reference to a follow-up of stock valuations. As far as non financial wealth is concerned, practically nothing has been published since 1998, even in European countries like France that released regular information in this regard since a couple of years.

A shortcoming that might appear only as a detail, is in fact very revealing of a dreadful lack of rigour : the notion of « capital consumption » corresponds to the « wear » of non financial wealth (that is of housing, equipments and machinery). Of course all companies computing their trading results take into account a write-off of their various physical assets. In 1999, only a handful of European countries (two or three among the fifteen) published an estimate of « capital consumption » for its various economic sectors. Now, without « capital consumption » nothing can actually be said on wealth's growth. Even worse : concepts like the real disposable income or households' saving are used for cross-country comparisons without actually verifying whether measures are « gross » or « net » of capital consumption. A big international organisation publishes tables where households' saving rates are, depending on the country, either « gross » or « net », mentioning incorrectly their definition. An important daily newspaper mixes pleasantly and without further notice -in a full-page development on European short-term economic developments- both gross and net figures. To avoid such laxness that inevitably leads to major interpretation mistakes, elementary precaution should consist in simultaneously publishing « gross » and « net » data. But both should be made available.

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To convince that this is not here a statistician's finickiness, let us add that, in the case of France, the households' saving rate « gross » of capital consumption exceeds at present 15% (of their gross disposable income) but that their « net » saving rate falls close to 11% (of their net disposable income). Thus the difference is worth considering. As for the United-States the households' saving rate, « net » of capital consumption, is slightly negative at present while its gross measure is clearly positive.

This is how, a confusion leading to another and an approximation to another, one comes to say everything and anything, when speaking about growth and distribution of wealth. In other words : in this area, knowledge is not worth anything, opinions are enough.

A program for Europe

As a matter of fact, to make any progress in this field, good habits should be taken quickly. For example, the Brussels Commission could ask national authorities to accelerate their work as far as wealth accounts are concerned : in the next two-years all the 15 countries of the European Union should for example be capable of producing complete wealth accounts for all the major economic sectors (households, non financial companies, financial institutions, public sector, etc.) starting in 1995 if not earlier.

When speaking of wealth accounts, we mean here accounts that cover, in reasonably detailed categories, all physical and financial assets, year after year, and isolate explicitly new savings, investment flows, price variations of assets held and « other factors of volume changes » (transfers between sectors, etc.). The evolution of liabilities in the various sectors should actually be watched upon with the same care.

One starts to dream of national accounting commissions of EU's various countries in which one would examine historical estimates as well as forecasts of flows accounts (production, revenue, capital, etc.) but also wealth accounts for recent years and for the next two or three years. This would be made of course in accordance with projections of growth and distribution of both revenues and investment flows -be they physical or financial.

Macro-economic data is thus necessary, and, obviously, rigorous global analyses can only arise on its grounds. But it is certainly not sufficient : indeed, nothing is said on changes in wealth according to social groups (age classes, working-retired, etc.) or on changes that may occur in the global distribution of wealth. In the same time lapse as mentioned above –two years– the European Commission should thus also target the production by appropriate bodies of an harmonised European survey on households' holdings of various types of wealth assets (financial as well as non-financial) and on their indebtedness. « Harmonised » means here that these surveys could be conducted in each country not only during the same period of time, but also with the same methodology (most probably face to face interviews), based on the same population sample (its size should not be less than 8,000 observations per country) and, of course, the same questionnaire -if national adaptations may prove unavoidable they should however not imperil cross-border comparability of the results. This survey would obviously remain anonymous, like all surveys of this type, and should in principle be renewed every three years.

The necessary rehabilitation of wealth in economic analysis can only happen with means to measure it in all its macro and micro-economic dimensions. The European Union would certainly draw a real comparative advantage in this field if it quickly developed the measurement tools allowing to depart from vague impressions and to establish factual observations on solid scientific grounds.