

Discussion of The College Wealth Divide: Evidence from the Historical Survey of Consumer Finances 1949 - 2016

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May 24, 2018 (St. Louis Fed)

Disclaimer

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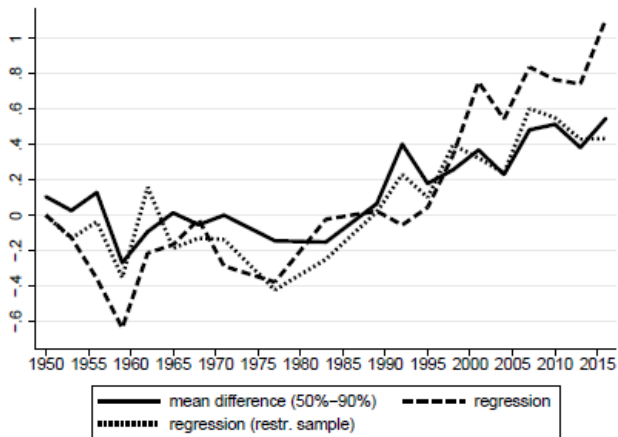
Presentation Outline

- 1 Intro
- 2 Data discussion
- 3 Weighting/time series discussion
- 4 Education discussion

- SCF data collect household balance sheet information.
 - Data from 1989-2016 (or 1983-2016)
 - Enough sampling differences that 1983, 1986 set apart
 - Collect assets, debts across the wealth distribution (sample design)
 - Add up to Financial Accounts (mostly)
- HSCF data collect household balance sheet information.
 - Data from 1949-2016
 - Adding ≈ 35 years of historical survey data (1949-1977)
 - Gain a lot in doing so...

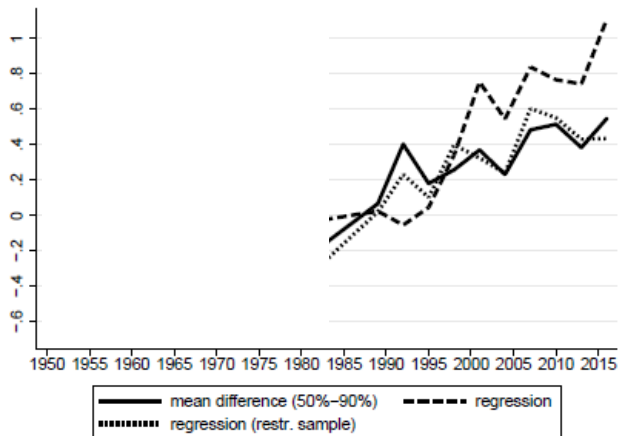
Intro

- Get this picture of residual “college effect” ...



Intro

- ...instead of this one.



- But the HSCF and modern SCF are conducted in different ways
 - A lot of harmonization needed here to infer across the time series

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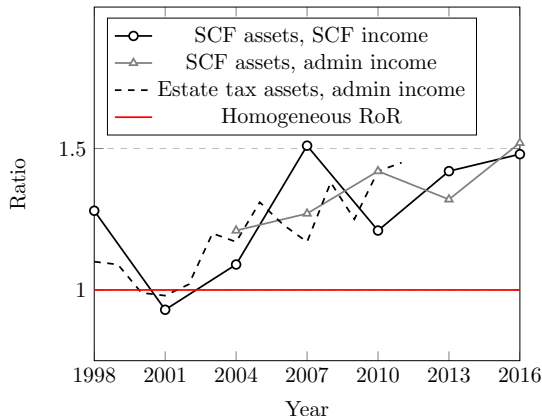
- HSCF is collected from paper-and-pencil survey instrument
- Harmonized across 1949-1977 surveys (and then 1983-)
 - Definitions (what is a mortgage?)
 - Impute for missing data
 - Re-weight (two ways)
- A big job, very valuable to have long time series of household wealth
 - Long time series of U.S. wealth data in Saez+Zucman (2016), Saez, Piketty, Zucman (2018)
 - Can get *more* from this than SZ, though

Compare HSCF to Saez-Zucman (2016)

- HSCF (+ SCF) measure assets across the distribution
 - By asking about assets, debts (if ask the right people)
- “Capitalize” wealth from income taxes 1914-2014
 - Benefit: tax filing nearly universal at the top
 - Cost: $\approx 90\%$ of the “bottom 90” wealth is hard to infer from tax form
 - Cost: highly variable, big RoR assumptions needed

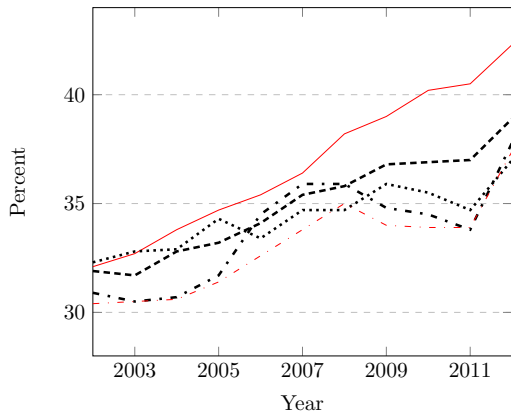
Shameless plug: capitalize income to wealth highly variable

- Bricker Henriques and Hanson, 2018
 - Even where capitalized wealth should be best it is highly variable
 - Small tweak to capitalization model (heterogeneous returns on interest assets) leads to large changes in concentration estimates



Shameless plug: capitalize income to wealth highly variable

- Wealth concentration (top 1% share) under capitalization models



- Homogeneous rate of return (RoR) on all assets
- - - Heterog. RoR on interest assets: estate tax
- Heterog. RoR on interest assets: SCF
- . - Heterog. RoR on interest assets: SCF-INSOLE
- . . - Heterog. RoR on interest assets: 10-year Treasury

Compare HSCF to Saez-Zucman (2016)

- “Capitalized” wealth is surely part of the discussion now
 - Shortcomings may become better known
- We have a different source of household wealth for near past (SCF)
- We need an alternative *long time series*
 - HSCF provides this alternative
 - Measures the assets of the middle

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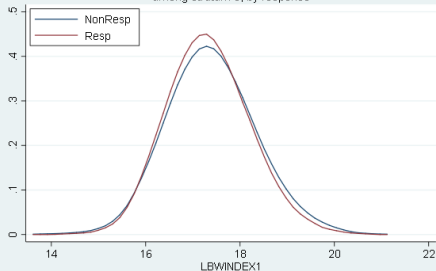
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- 1 What are data normed to?
 - Modern SCF weights raked to known (CPS) distributions...
 - age bins, region bins, homeownership-by-age bins, homeownership-by-race
 - HSCF to known (Census) distributions...
 - age, education, race
- 2 Do the HSCF data capture the top?
 - SCF (1983-2016) does and allows comparisons to FA aggregates
 - Do HSCF? It is fine if not, but may complicate time series

SCF top respondents look like non-respondents

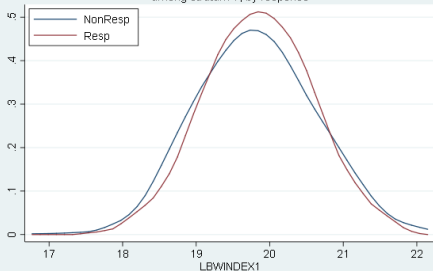
Strata: High end strata

Kernel Density of lbwindex1
among stratum 6, by response



Strata: Highest strata

Kernel Density of lbwindex1
among stratum 7, by response

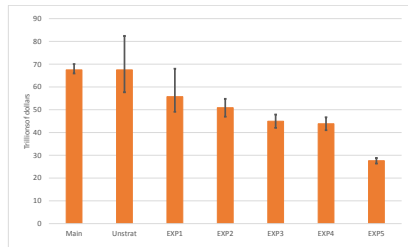
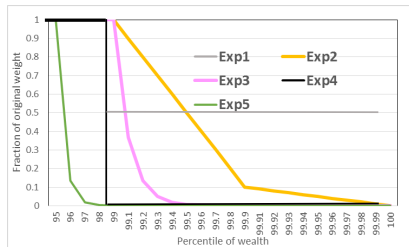


- The SCF 2016 oversample – get the wealthiest people to respond
- Weighting: we know that the respondents can fill-in for nonresponders

Does the HSCF get the top?

- HSCF: upweight those in the top 5 percent of both income, wealth
 - Via observed 1983 distribution (know LS and AP)
 - Find top 5 in joint distribution of income and wealth
 - Upweight – effectively add 2% extra wealthy families to sample
 - But only as effective if the respondents are representative
- Why does unknown top tail coverage matter? Kennickell (2018)
 - Because aggregate wealth can vary by tail coverage
 - Unknown top tail coverage can lead to biased over-time comparisons

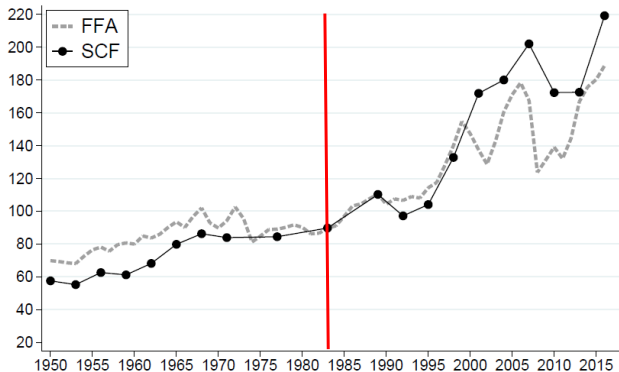
Why does unknown top tail coverage matter?



- What would happen if used Pareto to estimate the top?
 - Vermeulen (2018) and others – provides a *consistent* top distribution
 - Can then ask : does this top get different aggregates, results?
- Or top-up along a few dimentions (educ, etc) as in Saez (2016)

Why does unknown top tail coverage matter?

Micro data and macro trends: Wealth



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- Equity wealth driving college/non-college gap in 1990s
 - Seems right, fits in with authors other work on wealth and income
 - ...but can we understand more?
 - Is it job differences in retirement plan coverage?
 - Offered vs. take-up?
 - Or in directly held assets (including IRAs)?
 - Businesses?
- Medians vs. means?
- Is this due to how we measure wealth?
 - Should wealth include DC pensions (401k, IRA)? yes
 - Should wealth include DB pensions? Maybe...has a consumption value

What is wealth?

- Can change wealth estimates a great deal
 - Henriques, Jacobs, Llanes, Moore, Thompson, 2018
 - Bricker, Henriques, Krimmel, Sabelhaus, 2016
 - But upper income/educ always had more DB than lower income

