

The Wealth Questions in ISSP2009

Is Economic Inequality About How Much You
Have Or About How Much You Make?

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ISSP Research Session, Jaipur, India, May 1 2019

SILC Research Seminar, May 14 2019

The 2009 Wealth questions

- **V67: About how much money would be left if the home or apartment you and/or your immediate family live in was sold, and any debts on it, such as a mortgage or personal loan, would have been paid off? *Please give your best estimate.* [HOUSING WEALTH]**
- **V68: About how much money would be left if you and/or your immediate family converted to cash all savings, stocks, or bonds you own, and then paid off any personal debts you have (not including any home loan)? *Please give your best estimate.* [OTHER WEALTH]**
- **(to be answered in 12 categories)**

Background

- Wealth is different from income: “have-nots”
- Wealth may be a more important form of social inequality than income (Marx, Piketty).
 - Inequality in wealth is much larger than inequality in income
 - Wealth transfers (accumulates) intergenerationally (and over the life-cycle), income does not.
- Wealth is produced by income, but income may also be generated by wealth.

Does wealth make a difference to ISSP?

- ISSP is a social attitudes survey, not a economic position survey.
- ISSP must ask:
 - Do wealth differences make a difference how people feel about their (subjective) position in stratification?
 - Do wealth differences make a difference how people feel how inequality in their society should arranged (e.g. taxation or other redistribution policies)?

ISSP attitudes on wealth / income

- Wealth attitudes
 - ...how important is coming from a **wealthy** family?
 - Some people feel angry about differences in wealth between the **rich and the poor**, while others do not ...
- Income attitudes
 - It is the responsibility of the government to reduce the **differences in income** between people with high incomes and those with low incomes.
 - The government should provide a decent **standard of living** for the unemployed.
 - It is the responsibility of private companies to reduce the **differences in pay** between their employees with high pay and those with low pay.
 - Generally, how would you describe taxes in [COUNTRY] today for **those with high incomes**? Taxes are...

Maybe wealth affects...

- Top-Bottom
- Subjective Social Class
- Perception of Class Conflict
- Diagrams
- Left-Right voting (??)

Problems with wealth measurement

- Most wealth is invested (non-liquid), primarily in housing (but also in other real estate, assets, loans). Its value is uncertain, also to the owner.
- Many people (and in particular the wealthy) may be reluctant to report their wealth – in attitude surveys or elsewhere.
- Wealth may have many components; adding it all up is complicated for the respondent, as well as for the researcher.
- Wealth is multi-dimensional from a methodological perspective:
 - No (and negative) wealth will always be an important form of wealth measurement – and may be the only one that matters.
 - Housing wealth will be the dominant form of wealth – why not ask for home ownership / size of the house in more direct terms?

Pensions

- Pensions (unlike savings) are not part of wealth...
- (they are delayed income)
- Because pensions cannot be transferred
- However, having a pension can make life much easier – than having wealth... You do not need savings, if you have a pension.

Format of the 2009 questions

- Twelve categories:
 - Negative wealth (“just debts”).
 - No wealth
 - Ten positive wealth categories, ranging from:
 - 1/6x of less of “Mean wealth”
 - ...
 - 6x “Mean wealth”
 - One (topcoded) category.
- “Mean wealth” was to be determined locally

Technical notes

TN: Answer categories ... can vary between countries. Use the following guidelines for developing the categories:

- *Categories 1-2 are reserved*
- *Choose the midpoint of category 7 to be equivalent of the expected mean wealth using external information.*
- *Choose midpoints of categories 3 and 11 to be equivalent to approximately 1/6, respectively 6x the midpoint of category 7.*
- *Add open ended category 12 consistent with 11.*
- *Replace € sign with appropriate equivalent in your country.*

Complexities of the format

- To be asked in local currency → country-specific units.
- “Mean wealth” to be determined locally – this could be off from the true value. ISSP gave no guidelines.
- Apart from specification of categories 1-2, 3, 7, 11, 12, creating the categories 4, 5, 6, 8, 9, 10 was left to the country coordinator. The idea was to create an informative (normal, uniform) distribution.

Complexities of the ISSP post-harmonization

- ISSP Archive harmonized the information (in V67 and V68) by adding leading ISO country numbers to the (ratio-level) values.
- This made the information hard to access for (me – and (many??) other) users – it can only be done after a rather complicated recode that may involve consulting all original questionnaires.
- Archive produced this spss-recode as a patch in December 2018.
- Information was rendered in ratio-terms by taking mid-points of the categories (of course still in local currencies) → country-specific variables.
- MV are still inconveniently coded as (high) positive numbers – numbers of digits determined by local currencies.
- (This also very similar to how INC and RINC are processed.)

How to process the information

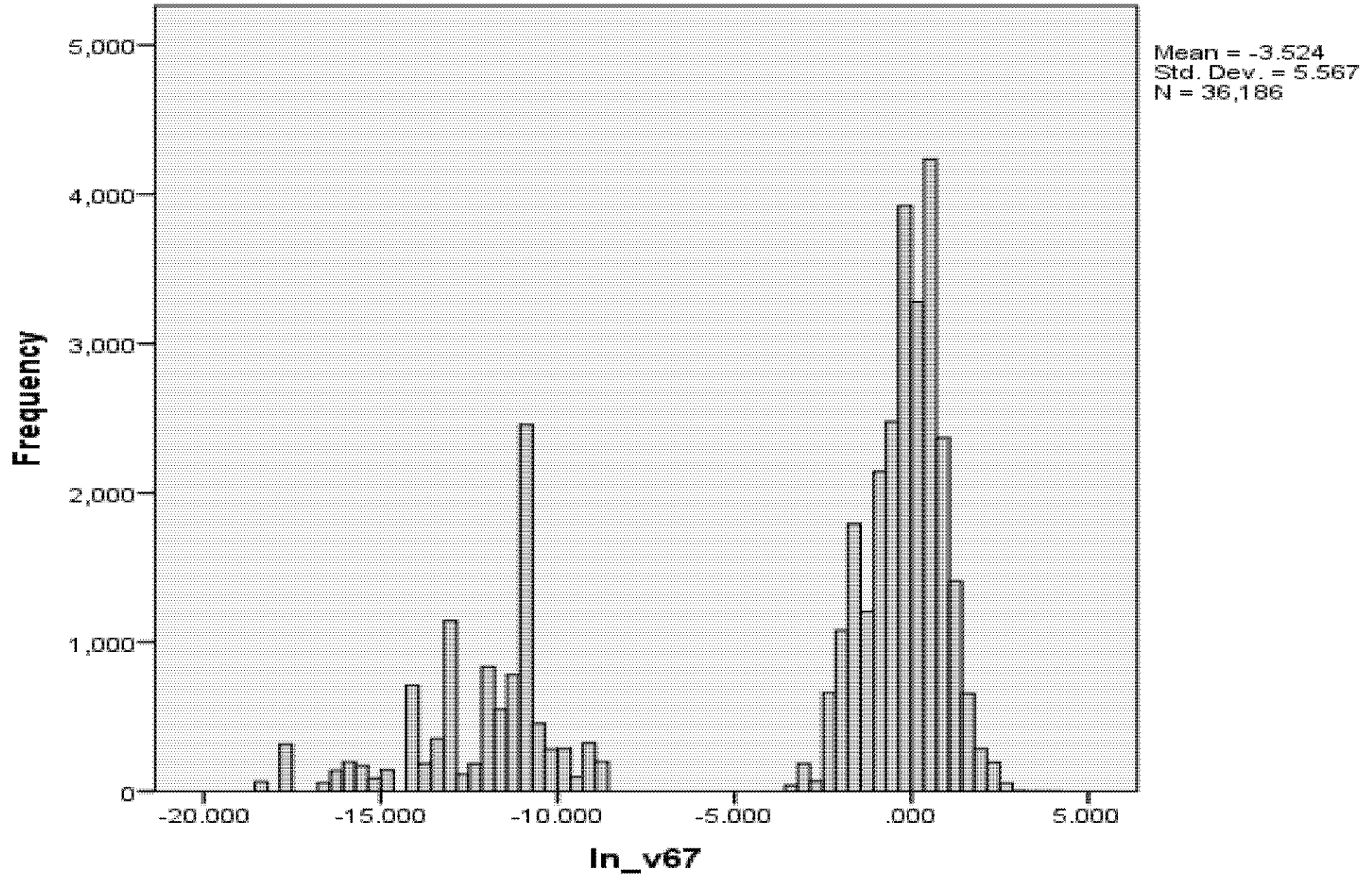
- Step 1: recode all missings to the (same!) negative values:
 - (-99) Refusal
 - (-98) Dont know.
- Step 2: Recode “other countries” to **sysmiss**.
- Step 3: Generate a single variable by taking cross-country means.
[This regenerates the original variables V67 and V68, but now in ratio terms.]
- Step 4: Calculate country-specific means (declare -99 -98 missing).
- Step 5a: Re-express values as ratio from its country-specific mean
- Step 5b: Re-express values as (natural) logs.

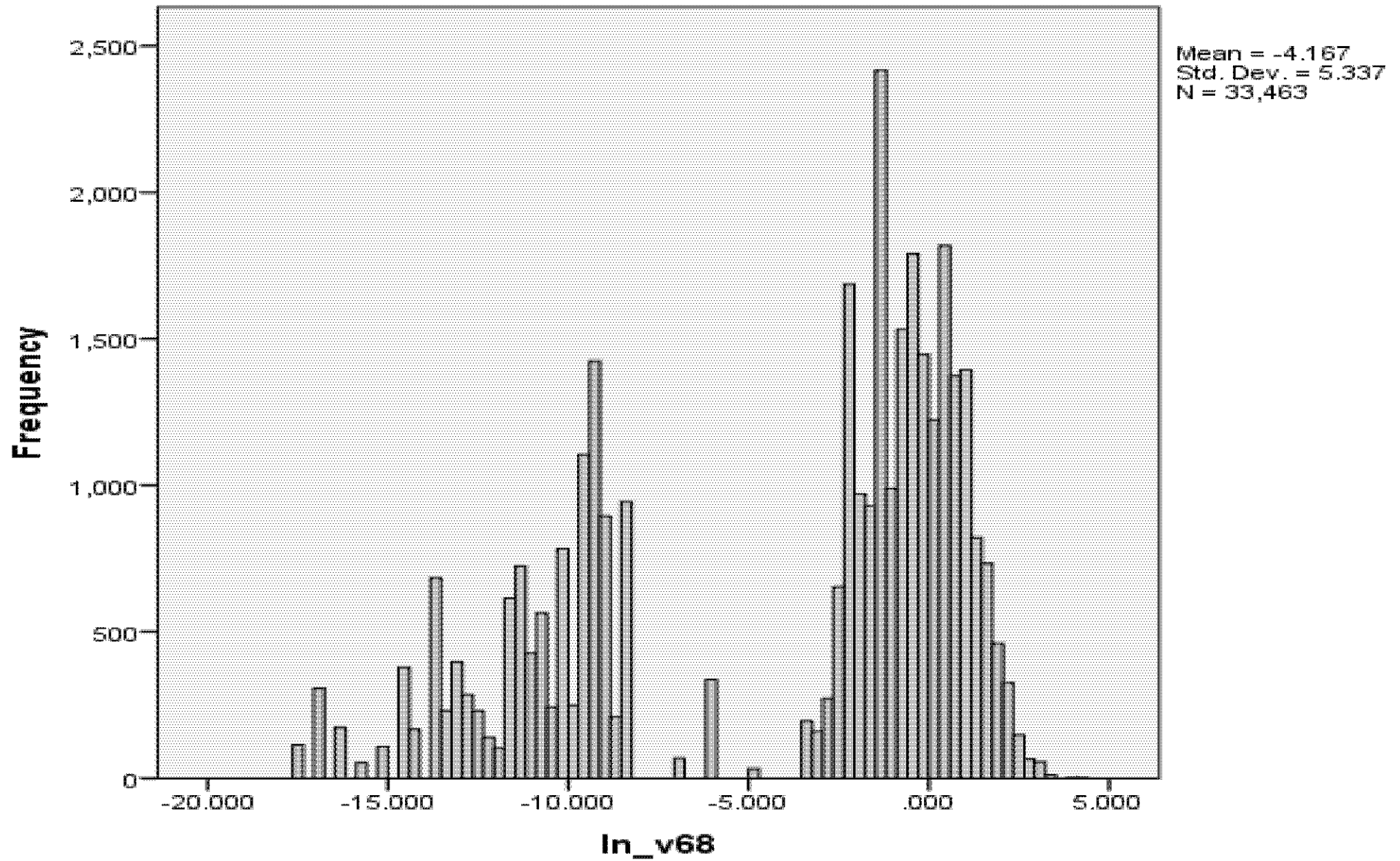
Log (LN) standardization of ratio scores [e.g. income]

- Have a (almost) normal distribution if the underlying process is multiplicative.
- LN(Income) is routinely used in econometric models. Coefficients are easily interpretable (after exponentiation), as percentage growth ['elasticities'].
- LN(Income/xMean) is comparable between and within countries, as deviations from the (country-specific) mean.
- SD(LnINC) is a convenient measure of aggregate inequality (alternative to the Gini coefficient): the average deviation from the mean.

Complications with applying log-standardization to wealth scores

- Wealth will always have large zero / negative categories (like Personal Income, unlike Household Income).
- Taking LN is not defined for zero or negative values.
- Solution: use very small positive values as imputation – but this may be influential if there are many people with non-positive values.
- Another solution is taking rank scores (percentiles, deciles) – but then the ratio information is lost.
- Complicated solution: consider non-positive values and positive values as separate variables (two-stage models),





Compliance by ISSP members

- 41 countries participated in ISSP2009
- Four countries have not complied altogether: AR, CL, PH, ZA
- TR asked only the V67 (HOUSING), not V68 (OTHER).
- CN has not documented the values asked.
- HR asked only six categories (v67) / five categories (V68)
- VE asked only two categories in V68.

Table 1: Percent Valid Response

<u>cntry</u>	<u>iso</u>	<u>V67</u>	<u>V68</u>
KR	410	97%	94%
TW	158	97%	97%
NZ	554	93%	89%
NO	578	91%	84%
IS	352	89%	82%
(...)			
AT	40	62%	76%
UA	804	61%	51%
PL	616	59%	89%
HU	348	59%	49%
SI	705	46%	43%
BG	100	36%	33%
PT	620	32%	32%
HR	191	22%	33%
Total		74%	71%

Who did not report?

- We can get an idea about the nature of the non-response, by imputing the missing.
- I used occupations (father, mother, resp and partner), education, personal and household income to impute the missings.
- (unfinished...)

Number of Have-nots and Debtors

- The question format distinguishes two categories of ‘have-nots’.
 - Negative wealth: 7% (Housing) and 9% (Other).
 - No wealth: 23% (Housing) and 30% (Other).
- Notice: these are valid answers – this is very much what we want to know.
- Relevant questions:
 - Is NEGATIVE wealth much different from NO wealth?
 - Is there a wealth effect beyond an effect of having nothing or only debts?

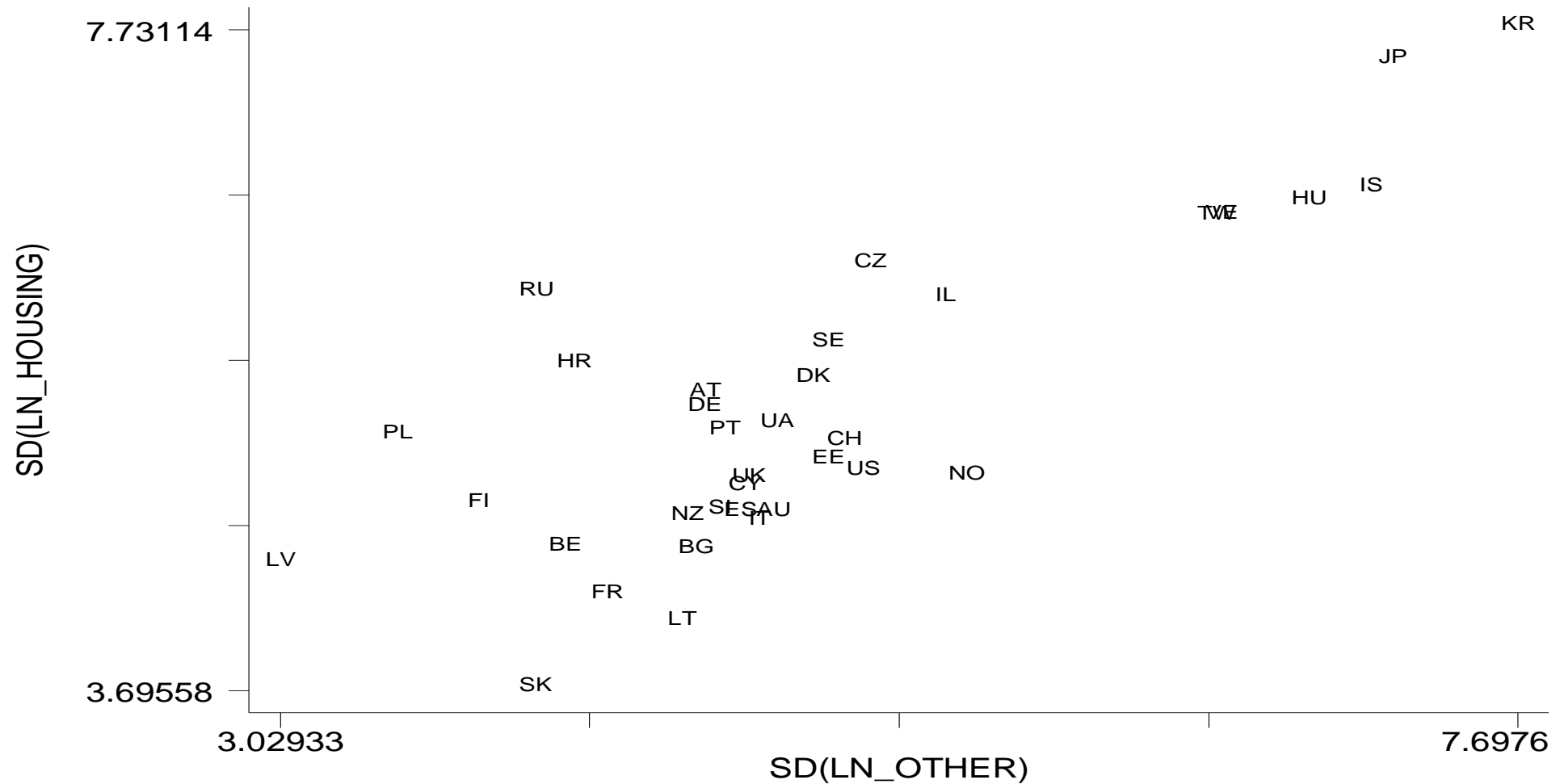
Comparison: Response in household income

- All countries complied; 81% valid responses.
- 1% report zero (absurd) household income.
- Only CY (18%) and LT (11%) report substantive amounts of zero household incomes(, which is absurd).

Housing Wealth (V67) vs Other Wealth (V68)

- On average slightly more people reported valid information about Housing Wealth (74%) than Other Wealth (71%).
- On average, respondents report that their Other Wealth amounts to 42% of their Housing Wealth.
- Housing Wealth and Other Wealth correlate 0.42 at the individual level.
- Housing Wealth Inequality correlate 0.80 with Other Wealth Inequality at the macro-level.
- Total Wealth was only constructed for respondents who validly reported both Housing Wealth and Other Wealth.

Housing Wealth Inequality by Other Wealth Inequality(macro)



Total Wealth Inequality by Household Income Inequality (macro)

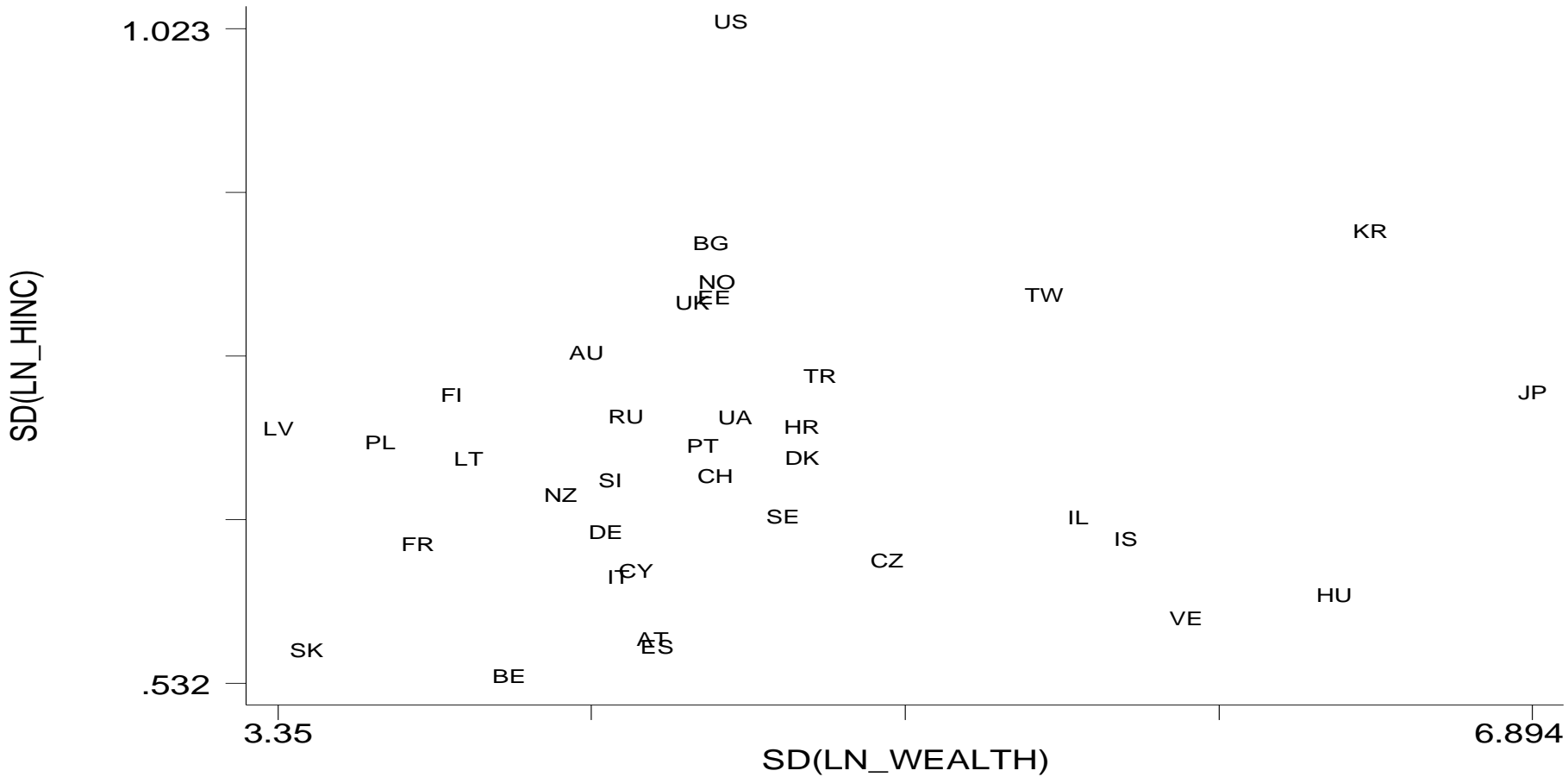


Table 3: Determinants of TOPBOT - effects of standardized variables, country-fixed effects, N=31037

	B	 t 	B	 t 	B	 t
TOTAL WEALTH (z)	0.250	46.2	0.163	30.9	0.147	28.4
HHINCOME (z)			0.328	60.8	0.238	41.6
DEGREE (z)					0.127	20.0
HHISEI (z)					0.116	19.1
adj R2	20.9%		29.3%		32.7%	

Table 3a: Determinants of TOPBOT - effects of standardized variables, country-fixed effects, N=31037

	B	t	B	t	B	t
SOME_WEALTH (0/1)	0.415	37.8	0.266	25.2	0.243	23.5
HHINCOME (z)			0.343	64.0	0.249	43.6
DEGREE (z)					0.127	20.0
HHISEI (z)					0.121	19.9
adj R2	20.9%		28.6%		32.2%	

Table 3b: Determinants of TOPBOT - effects of standardized variables, country-fixed effects, IF SOME_WEALTH == 1, N=18367

	B	t	B	t	B	t
POSITIVE_WEALTH (z)	0.388	32.3	0.257	21.7	0.221	18.9
HHINCOME (z)			0.301	43.2	0.218	29.3
DEGREE (z)					0.120	15.0
HHISEI (z)					0.101	13.2
adj R2	20.9%		29.3%		32.1%	

Determinants of Wealth

- We would expect that the following contribute to more wealth:
 - Older age
 - Higher SES (education, occupation)
 - Higher (Household) Income
 - Married
- This may apply equally to Housing Wealth and Other Wealth.
- (Unfinished...)

Conclusions - Methodological

- The format was complicated, but would work well, when properly executed.
- Proper execution was a challenge, most likely because it is hard to find apriori values of “mean wealth”.
- The number of non-responses is higher (30%) than for household income (19%). This is not so bad.
- The amount of non-response is strongly driven by high non-response in a few ISSP countries.
- Non-response is only moderately selective, with respondents of higher socio-economic status (and likely higher wealth) less likely to report.

Conclusions - Substantive

- There is clear evidence that Wealth differences contribute (independently of household income) to subjective stratification (top-bottom).
- Effects of Wealth are somewhat weaker than effects of household income.
- The effects of wealth do not differ between Housing Wealth and Other Wealth, and are strongest for Total Wealth.
- The effects of wealth are found both between No & Negative wealth / Some wealth, and between different amounts of (positive) wealth,

Recommendations

- A better idea would have been to generate the 10 positive wealth categories by deciles or quintiles. (This is also a good idea for income measurement.)
- The best way to develop the question further would be to ask it again and attune the positive wealth categories to empirical distributions.
- Archive added to the complexity of the information. Please:
 - Code ratio-variables as values;
 - Use (uniform) negative codes for missing values, in ratio variables – but also elsewhere;
 - Make syntax available for uninitiated users of ratio variables.
- However, working with Wealth in models remains complex because of its multidimensional nature. Primary source of complications is the existence of large categories with negative and zero wealth.