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## A safe harbor: Wealth-income ratios in Switzerland over the 20th century and the role of housing prices

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Working Paper

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# A Safe Harbor: Wealth-Income Ratios in Switzerland over the 20th Century and the Role of Housing Prices\*

Enea Baselgia<sup>†</sup>  
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## Abstract

We estimate the ratio of private wealth to national income,  $\beta_{pt}$ , for Switzerland over the period 1900–2018. Our results indicate that the development of  $\beta_{pt}$  in Switzerland did not follow a U-shaped pattern as in most European countries, but that the evolution was extraordinarily stable, with  $\beta_{pt}$  oscillating around 500% over most of the 20th century. However, the wealth-income ratio has been on the rise since the turn of the century to reach 721% in 2017—an unprecedented level in the past. This considerable increase is mainly driven by large capital gains in housing wealth since 2010. We present new cross-country evidence that capital gains in housing wealth have become an important driver of rising wealth-income ratios in a series of developed economies.

JEL-Classification: N34, D31, D33, E01

Keywords: wealth-income ratio; income distribution; economic growth; housing prices

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# 1 Introduction

How important wealth is relative to income in an economy and how and why their relationship changes over time are fundamental economic questions. Where data is available, recent decades have shown that wealth concentration is on the rise. If at the same time total wealth is gaining importance relative to income, wealth inequality (as well as inherited wealth) is likely to play a bigger role for the overall inequality of economic resources. In their seminal contribution, Piketty and Zucman (2014) find that over the 20th century, wealth-income ratios have followed a U-shaped pattern in many industrialized economies, returning back to their high pre-WWI levels. This indeed suggest that wealth is becoming more important relative to income than it was in the post-war period, characterized by high growth and low inequality.

In this paper, we put together new historical wealth and income series to estimate wealth-income ratios for Switzerland, a case which is of great interest. It is a small country but major industrialized economy with a large financial sector and low taxes by international standards, which attracts rich taxpayers. Due to its long history in banking secrecy, Switzerland also plays a major role in the tax sheltering of large fortunes (Zucman, 2013). In contrast to the countries studied in Piketty and Zucman (2014), Switzerland was only a bystander in the military conflicts that influenced the history and economic development of the Western world in the 20th century. And while other industrialized countries adopted anticapital policies after WWI, as Piketty and Zucman (2014) put it, Switzerland had significantly less tight financial market regulations than its neighbors. Particularly, Switzerland allowed imports as well as exports of capital—which most European countries strongly limited in the post-war period. The open capital market was an important prerequisite for the development of Switzerland’s strong, internationally competitive financial sector over the 20th century (Müller, 2012). Our new long-run series furthermore allow us to put recent developments in aggregate wealth into historical perspective.

We make three major contributions. First, we estimate long-run total private wealth series at market value, extending back until 1900. Second, for the post-1990 period, we decompose total national wealth measured at market value into different components. To gain an understanding of recent dynamics, we provide detailed decomposition of wealth accumulation into saving and real capital gains and losses. Finally, we study which role price dynamics in housing wealth have played in the recent increase in wealth-income ratios in Switzerland and other developed economies.

Piketty and Zucman (2014) stress that wealth stock data was largely missing until recently, as “national accounts were mostly about flows, not stocks.” Switzerland is no exception, and, on the contrary, to this day suffers from substantial data scarcity compared to most other Western economies. We draw on new private wealth estimates provided by the Swiss National Bank and Schmid (2013) as well as on total wealth reported in tax statistics since the beginning of the 20th century (some of which were already used by Dell et al., 2007). Using these new series our estimates of total private wealth are significantly higher than those of Brühlhart et al. (2018). In light of our private wealth estimate, we revise the existing series of the Swiss wealth-income ratio.

Our results suggest that the evolution of the wealth-income ratio in Switzerland did not follow a U-shaped pattern like previously assumed, but rather that the evolution was extraordinarily stable over the 20th century. After the First World War, the wealth-income ratio in Switzerland oscillated around 500% until the eve of the Great Recession. Since 2010, we are witnessing an unbroken, steep upward trend. By 2017, the wealth-income ratio had reached more than 700% for the first time in its newer history since 1900.

Starting in the 1990s, the data allow us to study national wealth and its different components, namely public and private wealth, as well as different components of private wealth separately. While public wealth is only a small fraction of total wealth, we show that since 2005 it has been increasing as well. This finding stands in contrast to the experience of other countries. In terms of national income, public wealth almost tripled from 20% to just below 60%. Around 30% of the increase can be attributed to capital gains, the remaining 70% are the result of increased public saving. The latter is likely the result of “debt breaks” introduced at the federal and sub-federal state level (the Swiss cantons).

Decomposing private wealth into private pension wealth, net financial wealth, and housing wealth allows us to shed light on the role of housing wealth in Switzerland. Prior research by Martínez-Toledano (2020) as well as Piketty and Zucman (2014) has pointed out the importance of housing price bubbles for short- and medium-run fluctuations in wealth-income ratios. We find that the steep increase in the Swiss private wealth-income ratio observed since 2010 can by and large be attributed to rising housing prices.

To test the hypothesis that capital gains in housing or financial asset price increases have been driving wealth-income ratios in recent decades, we turn to a multivariate regression approach. In a panel regression framework including 12 countries and spanning over 45 years, we find that indeed the correlation between real housing price increases and

private wealth-income ratios has become stronger in recent decades. Over the period from 1990 to 2018, a one percent annual increase in housing prices is associated with a 0.31% increase in private wealth-income ratios. This overall result masks some heterogeneity between countries. The house price effect seems to be present in France, Italy, Spain, Norway, the United Kingdom, and the U.S., as well as in Japan and Australia (when including the 1970-1990 period) but we find no effect for Germany, Sweden, or Canada. In Switzerland, the effect is weak and only present in the post-1990 period. Overall, the results support the hypothesis by Piketty and Zucman (2014) that asset price bubbles drive wealth-income ratios in the short- and medium-run. Steeply rising private wealth-income ratios can therefore be considered a warning signal and help designing appropriate financial and monetary policies. In turn this also implies that following the Harrod-Domar-Solow formula and abstracting from capital gains when determining the wealth-income ratio as  $\beta = s/g$  may be misleading in times of weaker financial regulations and potentially larger asset price bubbles. While we are not aware of any systematic research which answers the question whether asset price and housing bubbles have become more common, U.S. home price indices and the S&P 500 Shiller price-earnings ratio suggest that the size of bubbles has increased (in real terms) since 1980.

The remainder of the paper is organized as follows. Section 2 gives an overview of the literature. In Section 3 we introduce the key theoretical concepts which we aim to measure in the empirical part. Section 4 describes the data. We present our results in three steps. Section 5 presents our historical estimates of the evolution of private wealth-income ratios in Switzerland over the course of the 20th century. For the recent period 1990–2018, we decompose the national wealth-income ratio into different subcategories. These results are shown in Section 6. To identify potential drivers of the recent increase of the wealth-income ratio, in Section 7 we investigate the role of income growth and savings (Section 7.1), capital gains (Section 7.2), and housing wealth (Section 7.3). Section 8 concludes.

## 2 Related Literature

Wealth inequality and its evolution in the long run has recently gained large attention by scholars. Due to limited data availability, studies have focused on computing top wealth shares over the 20th century (see for example Dell et al.; Föllmi and Martínez, 2007; 2017 for Switzerland; Kopczuk and Saez; Saez and Zucman, 2004; 2016 for the U.S.; Garbinti et al., 2020 for France). Given the much higher concentration of wealth



compared to income, focusing on the top of the distribution is justified when measuring wealth inequality.

The literature on national wealth and how it compares to national income in the long run is still very young. Its emergence is closely tied to data availability: it was only in 1993 when the System of National Accounts (SNA) first included guidelines to take stock of national wealth in a systematic and internationally comparable manner. Not all countries have immediately adopted the guidelines and the scope of these wealth estimates varies considerably across countries: while some provide very complete and long series of national balance sheets, others only report partial results. This is in fact the case for Switzerland, as we shall see. In their seminal contribution, Piketty and Zucman (2014) were the first to make use of these new balance sheets as well as historical data from eight major developed economies<sup>1</sup> to study the evolution of the ratio of total aggregate wealth to national income. Waldenström (2017) compiled series going as far back as 1810 for Sweden, Artola Blanco et al. (2020) present series for Spain.

To put our results into perspective, we compare them to the evolution of the wealth-income ratios in these developed economies (and Norway, for which wealth-income ratios are available from the World Inequality Database).<sup>2</sup> In the meantime, all the countries covered in Piketty and Zucman’s (2014) original study have adapted their national accounts to the revised System of National Accounts 2008 (European Commission et al., 2009, SNA-2008). Bauluz (2019) updates Piketty and Zucman’s (2014) original series, and we use these updated series when we compare wealth-income ratios across countries. Alvaredo et al. (2017) provide guidelines on the use of national balance sheets to compute wealth-income ratios as well as distributional national accounts, (another strand of the literature that has emerged in response to improved national accounts data). To ensure comparability, we follow these guidelines as closely as possible.

It is important to note, that we are not the very first to provide estimates of the aggregate wealth-income ratio in Switzerland. Brülhart et al. (2018) study inheritance flows in Switzerland for the period 1911–2011. Along with estimates of the ratio of bequests to national income (in analogy to Piketty, 2011, for France), the authors present estimates of private net wealth as a fraction of net national income. Their estimates show a strong increase in the private wealth-income ratio since the 1970s, similar to the one

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<sup>1</sup>Their study includes Australia, Canada, France, Germany, Italy, Japan, UK, and the U.S., Bauluz (2019) revises and updates their series.

<sup>2</sup>We focus on wealth-income ratios in Switzerland and other developed economies. Other authors have contributed series on emerging economies and young democracies, such as Piketty et al., 2019 for China, Novokmet, 2018 for the Czech Republic, Charalampidis, 2018 for Greece, Kumar, 2019 for India, Novokmet et al., 2018 for Russia, or Orthofer, 2015 for South Africa.

observed in other European countries. Our own analysis differs significantly in several important aspects from theirs. First, we use market-value estimates of private wealth, rather than taxable wealth. Second, we combine new data sources to estimate aggregate private wealth at market value prior to 2000. This allows us to overcome the inherent undervaluation of certain assets, especially real estate, in taxable wealth. Third and in line with the guidelines established by Alvaredo et al. (2017), we include the total of private pension wealth. Since they are interested in measuring inheritance flows, Brühlhart et al. (2018) exclude the non-bequeathable part of private pension wealth. Due to these differences in the measurement of aggregate net private wealth, we obtain a much more stable evolution of the private wealth-income ratio over the past century. For recent decades (1990–2018) we further decompose national wealth into public, private, and net foreign wealth, and study the evolution of private pension, housing, and financial wealth (see Section 6).

Our paper further relates to a growing literature focusing on the role of increasing house prices for wealth inequality and the observed rise in total private wealth. Already in their seminal paper, Piketty and Zucman (2014) have pointed out the importance of capital gains in the housing sector. Stressing the scarcity of housing, Rognlie (2015) also attributes major importance to the upward trend in house prices observed in many economies. Artola Blanco et al. (2020) provide a thorough review of the literature that studies house price phenomena. They find that the Spanish housing boom of the early 2000s led to an unprecedented rise in Spain’s wealth-income ratio. To our knowledge, however, our paper is the first addressing the role of housing prices for wealth income ratios directly measuring their relationship in a cross-country panel regression framework.

### 3 Definition of Wealth and Income Components

Building on the work of Piketty and Zucman (2014), Alvaredo et al. (2017) have developed a unified framework (the “DINA Guidelines”) to compute national wealth and income series based on the internationally used 2008 System of National Accounts (SNA-2008) (European Commission et al., 2009). To ensure comparability, we follow this framework as close as possible, depending on the availability of the corresponding data for Switzerland.

Private wealth is denoted by  $W_{pt}$  and consists of net wealth (assets minus liabilities) of private households.<sup>3</sup> It can be decomposed as follows:

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<sup>3</sup>Nonprofit institutions serving households (NPISHs) are included in the household sector, since the frontier between individuals and private foundations is not always clear. In the Swiss national account system, NPISHs

$$W_{pt} = K_{pt} + F_{pt} - L_{pt} , \quad (1)$$

where  $K_{pt}$  are non-financial assets,  $F_{pt}$  are financial assets, and  $L_{pt}$  are financial liabilities of private households. Financial assets include bank accounts, stocks and bonds, as well as life insurances and funded pension wealth. In contrast, pay-as-you-go social security pension wealth (called “Old Age and Survivors Insurance” (OASI)) and any other claims on future government expenditures are excluded, as well as durable goods. We follow Piketty and Zucman (2014) to ensure comparability. The exclusion of claims on future government expenditures is justified by the fact that these household assets count as liabilities for the government sector and would therefore cancel out when looking at national wealth—the more meaningful concept (see Piketty and Zucman, 2014, for a discussion).

In the literature, non-financial assets  $K_{pt}$  are usually decomposed further into:

$$K_{pt} = H_{pt} + A_{pt} + D_{pt} \quad (2)$$

Housing assets  $H_{pt}$  are defined as the sum of the market value of dwellings and land underlying dwellings.  $A_{pt}$  denotes the value of agricultural land, and  $D_{pt}$  stands for other domestic capital, i.e., all non-financial assets except housing and agricultural land, such as unincorporated business assets.

Public (or government) wealth,  $W_{gt}$ , is defined as net wealth of public administrations and government agencies. Analogous to Equation (1), public wealth can be decomposed into public non-financial and financial assets,  $K_{gt}$  and  $F_{gt}$ , respectively, and financial liabilities of the public sector,  $L_{gt}$ .

The market-value of national wealth  $W_{nt}$  is the sum of private and public wealth. National wealth can be split up into market-value domestic capital,  $K_{nt}$ , and net foreign wealth,  $NFA_{nt}$ :

$$W_{nt} = W_{pt} + W_{gt} = K_{nt} + NFA_{nt} \quad (3)$$

We use income net of depreciation, i.e., gross national income minus consumption of fixed capital, as recommended by Alvaredo et al. (2017). In line with the production approach, net national income,  $Y_t$ , is defined as the sum of net domestic output  $Y_{dt}$  (GDP minus consumption of fixed capital) plus net foreign income,  $r_t NFA_t$ :<sup>4</sup>

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and private households are reported together as one single category. Net wealth of NPISHs is usually small (e.g., in France about 1% of total net private wealth in 2010 (Piketty and Zucman, 2014)).

<sup>4</sup>In the results section, we use the term national income which always refers to net national income.

$$Y_t = Y_{dt} + r_t NFA_t \quad (4)$$

The private wealth-income ratio,  $\beta_{pt}$ , is defined as:

$$\beta_{pt} = \frac{W_{pt}}{Y_t} \quad (5)$$

Analogously,  $\beta_{nt}$  denotes the national wealth-income ratio:

$$\beta_{nt} = \frac{W_{nt}}{Y_t} \quad (6)$$

In a closed economy,  $\beta_{nt}$  equals the domestic wealth-output ratio  $\beta_{kt} = \frac{K_t}{Y_{dt}}$ . Moreover, if public wealth is zero, it holds that:  $\beta_{pt} = \beta_{nt} = \beta_{kt}$ .

Next, we turn to the accumulation of wealth. Between time  $t$  and  $t+1$  the accumulation of national wealth  $W_{nt}$  can be split into a volume effect and a relative price effect:

$$W_{nt+1} = W_{nt} + S_t + KG_t, \quad (7)$$

where  $S_t$  is the net-of-depreciation national saving flow (volume effect), and  $KG_t$  are capital gains or losses (relative price effect). In the long run, where relative price effects balance out, at least theoretically, such that  $KG_t = 0$ , the steady-state national wealth income ratio is given by the Harrod-Domar-Solow formula:

$$\beta_{nt} \longrightarrow \beta_n = \frac{s}{g} \quad (8)$$

where  $s$  is a fixed long-run saving rate, and  $g$  is a fixed growth rate of national income. That  $\beta_{nt}$  converges to  $\beta_n$  in the steady state relies on the assumption that there is no change in the relative price of assets and consumption goods over time.<sup>5</sup> Although this may be a plausible assumption in the long run, in the short and medium run, relative price effects, i.e., capital gains, turn out to be crucial. We thus decompose the evolution of national wealth-income ratios into two multiplicative components—the volume and the relative price effect—as follows:

$$\beta_{nt+1} = \frac{(1 + g_{st}^w)(1 + q_t)}{1 + g_t} \beta_{nt}, \quad (9)$$

where  $1 + g_{st}^w$  is the savings-induced wealth growth rate,  $1 + q_t$  the capital gains induced wealth growth rate and  $1 + g_t$  the growth rate of national income. The savings-induced

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<sup>5</sup>For a critical discussion concerning the use of the Harrod-Domar-Solow formula see Krusell and Smith Jr (2015).

wealth growth rate,  $1 + g_{st}^w$ , equals  $1 + \frac{s_t}{\beta_{nt}}$ . The rate of capital gain or loss can then be estimated as a residual.

For an open economy, the share of capital income in national income is defined as:

$$\alpha_t = r_{pt} \frac{W_{pt}}{Y_t} = r_{pt} \beta_{pt} , \quad (10)$$

where  $r_{pt}$  is the average return on private wealth.

## 4 Data

We combine various data sources for our empirical analysis of the wealth-income ratio. To ensure comparability with other countries, we follow the approach and methods developed by Piketty and Zucman (2014) and established by Alvaredo et al. (2017) as closely as possible. Switzerland's national accounts are based on the European System of National Accounts 2010 (European Union, 2013, ESA-2010), which is compatible with the SNA-2008, but Switzerland's national accounts are considerably less detailed than those of larger European countries. We pay particular attention to the construction of a consistent, long-run estimate of total private wealth, starting in 1900. Other wealth aggregates, such as national wealth or public wealth, are only available from official sources for more recent decades, starting in 1990. For a detailed description of the data and list of all sources, we refer to Appendix A.

**Private Wealth ( $W_{pt}$ ).** To compute long series of private wealth, we have to distinguish between three sub-periods, each of which is determined by differing limitations to data availability. To obtain a long run series of total private wealth at market value, we combine the estimates from the three sub-periods.

For the period 2000–2018, the Swiss National Bank (SNB) provides reliable data on aggregate private net wealth  $W_{pt}$  at market values as part of the financial accounts of Switzerland, which can be broken down into financial assets  $F_{pt}$ , financial liabilities  $L_{pt}$  and non-financial assets  $K_{pt}$ . The stock gross financial wealth,  $F_{pt}$ , consist of currency and transferable deposits, debt securities (short-term, long-term and structured products), shares and other equity, units in collective investment schemes as well as insurance and pension schemes.  $L_{pt}$  is composed of loans, mortgages, and other outstanding liabilities. For non-financial assets,  $K_{pt}$ , the SNB only reports estimates on housing wealth,  $H_{pt}$ . To the best of our knowledge no estimates on the value of agricultural land and  $A_{pt}$  and other domestic capital  $D_{pt}$  exist for Switzerland. Therefore, in our analysis private

non-financial assets consist only of housing wealth, such that ( $K_{pt} = H_{pt}$ ), which implies that  $A_{pt} = D_{pt} = 0$ .<sup>6</sup> Note that by housing wealth  $H_{pt}$  we refer to the market value of real estate held by private households.

No official statistics on net private wealth exist for Switzerland prior to 2000. For the period 1981–1999 we rely on the estimates of private net wealth at market value by Schmid (2013). These estimates are based on internal SNB data and were the precursors of the official statistics published later by the SNB. As Figure B1 shows, these series are virtually identical to the official statistics published by the SNB in the overlapping period 2000–2010.<sup>7</sup>

Prior to 1981, data on market value  $W_{pt}$  is nonexistent and we have to take an alternative approach. Following Föllmi and Martínez (2017), we combine total wealth estimates based on tax data published in Dell et al. (2007), with historical estimates of total pension fund assets published in Leimgruber (2008). Combining wealth tax and pension data is important, because pension wealth is not taxed and is therefore missing in tax statistics. Next, we calculate the annual growth rate of this combined series and apply the growth rate to the earliest market value observation of private wealth from Schmid (2013) in 1981. This approach allows us to extrapolate the market value wealth backwards using observed changes in taxable and pension wealth (see Appendix A.1 for details). Under the assumption that the latter correspond well to changes in total private wealth, this approach should result in a consistent estimate of private wealth at market value. Figure B4 shows the annual percentage change in private wealth at market value and taxable plus private pension wealth, respectively, for the period 2003–2016, where annual data for both series exist. Growth rates track each other extremely well—including the years around the outbreak of the Great Recession in 2008, which are characterized by large changes from year to year. We are therefore confident that our method is valid to estimate total private wealth at market value over time.

Our approach to measure total private wealth pre-1981 obviously deviates from the methodology proposed by Piketty and Zucman (2014) and established in Alvaredo et al. (2017), which is based strictly on national accounts data. Note, however, that we refrain from the perpetual inventory method, which cumulates past investment flows. As discussed in (Piketty and Zucman, 2014, p.1265), this method falls short of appropriately measuring the capital stock for several reasons. Our approach, in contrast, is based on

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<sup>6</sup>All three components ( $H_{pt}$ ,  $A_{pt}$ ,  $D_{pt}$ ) of  $K_{pt}$  are available on WID.world for the countries we compare our results to. In Appendix B.2 we describe how we adjusted the international data in order to compare them with the results for Switzerland.

<sup>7</sup>At the time, the author had access to internal data at SNB. We are very grateful to him for sharing this data with us.

changes in actual measures of total private wealth, which, however, do not capture the full capital stock in the economy at market value.

To the best of our knowledge, for Switzerland no other long-run time series of private wealth exist. Since the 1930s, national income rather than wealth has increasingly served as the main indicator for (economic) well-being (Landolt, 2014). At the beginning of the 20th century, however, several attempts were made to record Switzerland’s national wealth. Estimates for the early 1910s varied considerably between 30 and 40 billion Swiss francs (in nominal terms). Geering and Hotz (1914) estimated the value of Swiss national wealth around 1914<sup>8</sup> at 30 billion Swiss francs. Later valuations resulted in somewhat higher estimates, such as Landmann (1916), who estimated Swiss national wealth for the year 1913 at 34.6 billion Swiss francs and Fahrländer (1919), also for the year 1913, at 41.96 billion Swiss francs (all estimates in nominal terms). Some of these estimates also include certain assets that are excluded from our definition of wealth, in particular durable goods. For instance, the estimate of Landmann (1916) includes fire insured movable property worth 9.9 billion Swiss francs. Without these movable assets, national wealth would fall considerably to around 24.7 billion Swiss francs. This is very close to our own estimate of private wealth for 1913 of around 26 billion nominal Swiss francs. By comparison Brühlhart et al. (2018) estimate private net wealth in 1911 at around 18 billion Swiss francs, which seems rather low.

**Public Wealth ( $W_{gt}$ ).** All analyzed data on public wealth  $W_{gt}$  for Switzerland between 1990 and 2018 can be taken from the “Government Finance Statistics Model” (GFS Model) of the Federal Finance Administration, which follows the International Monetary Fund (IMF) financial statistical standard that ensures international comparability. Note that no data on public wealth exists prior to 1990.

**National Wealth ( $W_{nt}$ ).** Equation (3) shows that national wealth is the sum of  $W_{pt}$  and  $W_{gt}$ , therefore no additional data is required to obtain  $W_{nt}$ . Note that no data on national wealth exists prior to 1990, since no data on public wealth is available prior to 1990.

**Net Foreign Wealth ( $NFA_{nt}$ ).**  $W_{nt}$  can further be split into domestic capital  $K_{nt}$  and net foreign assets  $NFA_{nt}$ . For the period 2000–2018 net foreign wealth is provided by the SNB as part of the Swiss balance of payments. For the years 1995–1999 we obtain net foreign wealth from published reports of the SNB.

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<sup>8</sup>Geering and Hotz (1914) do not give a particular date for their estimate. The data used also come from different years. The authors state, however, that national wealth may be estimated at 30 billion “today”.

**Net National Income ( $Y_t$ ).** Similar as with private wealth, we have to rely on three different sources to obtain long run series of national income covering the entire 20th century as no uniform series exists for Switzerland. For the period 1995–2018, we use national income data as published by the Federal Statistical Office (FSO) in the Swiss National Accounts, which are fully compatible with the SNA-08 framework. Between 1929 and 1994, we use historical national income time series provided by the Historical Statistics of Switzerland (HSSO) database. Unfortunately, income concepts vary slightly between these sources. We therefore use growth rates to extrapolate income backwards from 1995 (see Appendix A.4 for details). For the years prior to 1929, finally, we have to fall back on growth rates of historical GDP estimates (rather than NNI) by Stohr (2016).

**Additional Macroeconomic Data.** Occasionally, we present results not as wealth-income ratios, but as aggregated real or as per capita real variables, for which we additionally use population (see Appendix A.5) and price data (see Appendix A.6). In order to split changes in total wealth into a savings and a capital gains/loss component (see Equations (7) and (9)), we use supplementary data on savings (see Appendix A.7). Detailed methodological explanations of this decomposition can be found in Appendix A.9. Where meaningful, we compare our results for Switzerland internationally. The international wealth data presented in our analysis can be directly obtained from the World Inequality Database (WID.world; see Appendix A.8). To analyze how stock and housing prices affected changes in the wealth-income ratio, we use real house price index data (see Appendix A.10) and stock market index data (see Appendix A.11), both obtained from the OECD.

## 5 Switzerland’s Private Wealth-Income Ratio, 1900–2018

In this section we present our estimates of the evolution of Switzerland’s private wealth-income ratio over the 20th century. First, we describe how we compute our estimates of private wealth-income ratios for Switzerland and why they differ significantly from the previous estimates by Brülhart et al. (2018). Next, we explain the extraordinary trajectory of  $\beta_{pt}$  in Switzerland over the 20th century and how it compares to other countries.



## 5.1 Comparison with Prior Estimates

We compute the private wealth-income ratio  $\beta_{pt}$  for Switzerland for the entire period 1900–2018 by dividing total estimated private wealth by total income, using the data described in Section 4. In principle, we would prefer to study the development of the *national* wealth-income ratio, since this concept more adequately reflects the importance of total wealth in a country (Piketty and Zucman, 2014). Due to the data limitations described above, in the Swiss case this is unfortunately not possible for long-run estimates. We turn to the evolution of national and public wealth—the main limiting factor for a long-run analysis of national wealth, as no estimates are available for the pre-1990 period—in recent decades in Section 6. As it will turn out, at least since the 1990s, public wealth has played a minor role in Switzerland, such that focusing on the evolution of private wealth seems justified. Given the experience in other countries, we can of course not rule out that public wealth was larger in the past in Switzerland, too. However, results in Piketty and Zucman (2014) show that in rich countries, net public wealth was always small compared to private wealth. They find that the fall in government wealth was much smaller than the rise of private wealth.

The solid red line in Figure 1 shows our estimates of Switzerland’s private net wealth in terms of national income since 1900. The hollow dots indicate the years for which total wealth data is available, either in the form of tax statistics and pension statistics (1900–1981), private net wealth estimates at market value by Schmid (2013) (1981–1999), or aggregate wealth estimates published by the SNB (2000–2018). Prior to 1981, where data is not available on an annual basis, we linearly interpolate the total wealth series for the missing years in between. We obtain our measure of interest,  $\beta_{pt}$ , by dividing these annual wealth series by national income. This explains why our series fluctuates even in years where no aggregate wealth data exist.

For comparison, the dashed black line in Figure 1 shows private wealth-income ratios presented in Brülhart et al. (2018). Again hollow dots indicate years for which they observe total aggregate wealth from tax statistics. While both series show a steep increase in the private wealth-income ratio since the mid-1990, the estimates from Brülhart et al. (2018) indicate a lower overall level of  $\beta_{pt}$ , and they lead to a more pronounced U-shape in the long run trend.

Since both approaches use very similar national income series, the principal source of divergence is due to different estimates of total private wealth. Figure B1 shows the wealth estimate of Brülhart et al. (2018) for the period 1981-2018 along with the data on which our wealth estimates are based. Two main reasons explain the significant difference

between the two estimates of the private wealth-income ratio.

First, we use data on private net wealth at market prices, while Brülhart et al. (2018) estimate net private wealth on the basis of tax data. The authors emphasize that net private wealth estimates based on wealth tax statistics will be downward biased, because i) tax valuations of housing wealth are below market value, and ii) because compulsory private pension-fund wealth is exempt from taxes and hence not covered in tax data. Although they attempt to correct for the undervaluation of tax data, their estimate of total private wealth remains below official estimates published by the SNB. According to Brülhart et al. (2018), real estate is valued at approximately 70% of market value. To account for this undervaluation of real estate wealth, they add a 30% mark-up to all their tax-based wealth series. While prior to 1981 we have to rely on tax data to estimate total wealth, too, we use a different approach to Brülhart et al. (2018): rather than using the level of total wealth observed the tax data, we use changes in combined historical tax and pension wealth data to extrapolate backwards the level of total private wealth from 1981, the first year for which private wealth at market value is available (see Appendix A.1 for details).

The second reason lies in the focus of the two papers and how, therefore, tax-free pension wealth is taken into account. Both approaches complement the tax series with historical pension assets data found in Leimgruber (2008). However, since Brülhart et al. (2018) are interested in inheritances, they correct their tax wealth series only for the part of pension assets that is drawn as a lump sum on retirement and is therefore bequeathable. They assume that an estimated 70–80% of total pension wealth will be drawn as ordinary annuities while the rest of the pension wealth is drawn as lump-sum payouts. Hence, they only add 20–30% of total pension assets to their tax-based wealth series. This is certainly justified if one is interested in inheritable wealth, but the approach misses part of total private net wealth—the measure we are interested in in the paper at hand. Since undisbursed pension assets are an integral part of the assets of Swiss households built up through mandatory savings, they should be fully included in the sum of net private wealth.

Due to the exclusion of a major part of the pension fund assets and in comparison with historical wealth estimates discussed in Section 4, we consider the private wealth series presented by Brülhart et al. (2018) to be somewhat too low. In particular, their very dramatic increase in the private wealth-income ratio between 1980 and 2010 appears hardly plausible when comparing it with the estimates of Schmid (2013). In addition, our finding of a very stable long-run evolution of the private wealth-income ratio supports

earlier results by Föllmi and Martínez (2017) on the relatively stable development of wealth and income inequality in Switzerland over the course of the 20th century. Finally note that we use wealth tax statistics for more years than Brülhart et al. (2018) and that we allow  $\beta_{pt}$  to fluctuate not only with wealth but also with income.

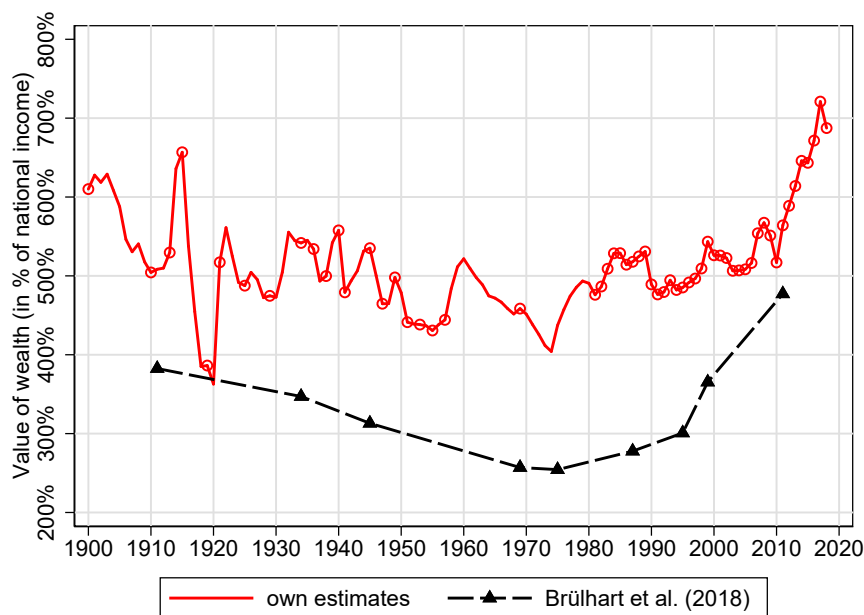


Figure 1: Different Private Wealth Estimates for Switzerland, 1900–2018

*Note:* This figure shows our estimate of the private wealth-income ratio  $\beta_{pt}$  for Switzerland in comparison with the estimates submitted by Brülhart et al. (2018), which are based on federal wealth tax statistics. Note that the marked points show observations for which we do have data on private wealth. For the years in between, we have interpolated our wealth series linearly. Thus, the total fluctuation between the marked years results exclusively from the change in national income. The data sources for our new historic private wealth estimates of Switzerland are described in appendix A.1. The observations of Brülhart et al. (2018) are linearly interpolated.

## 5.2 Long-Run Evolution in International Comparison

In this section, we compare the evolution in Switzerland to that of all other countries for which long-run estimates exist, namely Germany, France, the United Kingdom, the United States (Piketty and Zucman, 2014), Sweden (Waldenström, 2017), and Spain (Artola Blanco et al., 2020). Figure 2 shows that our results in terms of the general level of  $\beta_{pt}$  are well in line with those of other countries.

At the onset of the 20th century, Switzerland’s wealth-income ratio was at a relatively high level of roughly six times national income. This level was similar to that observed in other countries at that time—roughly in-between Old Europe (Germany, France, United Kingdom) and Spain and the United States (Figure 2).

The observed decline in  $\beta_{pt}$  in Switzerland between 1900 and 1910 was due to increases

in real income: between 1900 and 1910, real per capita net national income grew by 21%, while real wealth per capita stagnated (see Fig. B2). The very large swings between 1913 and 1922 were caused by the shock of the First World War (1914–1918). Switzerland experienced a steep rise in price levels and real income fell sharply during the war. At the same time, total private wealth declined too, such that  $\beta_{pt}$  fell from 654% in 1915 to 383% in 1918. As a result of the subsequent recovery of private wealth after the war and the stagnation of real national income between 1918 and 1922,  $\beta_{pt}$  recovered to a large degree. The few observations of this tumultuous time should be interpreted with care, as data quality is likely limited. Note however, that other countries shown in Figure 2, in particular Sweden and the U.K., experienced similar dynamics during this period leading up to the Great Depression.

In stark contrast to other countries, the wealth-income ratio in Switzerland reached pre-war levels in the 1920s. By that time, France, Germany, or Sweden had already experienced a large decline in their private wealth-income ratio, reaching historically low levels. The shocks of WWI (as well as later in WWII) led to a massive decline of private wealth in Old Europe. Importantly, this was mainly caused by real capital losses and only partly by war destruction (Piketty and Zucman, 2014).

After overcoming the post-World War I recession of the early 1920s, Switzerland recorded above-average growth in national income from 1922 until the onset of the Great Depression (Woitek et al., 2012), leading to a slight decline in  $\beta_{pt}$ . Between 1929 and 1939, Switzerland lived through a decade of declining per capita income (Woitek et al., 2012), and  $\beta_{pt}$  rose back to 550%. While in other countries such as the U.K. or Sweden, but also in France and Germany, we observe similar movements in  $\beta_{pt}$  over this time, the magnitude of the changes is much smaller in Switzerland. As a result,  $\beta_{pt}$  remains relatively stable in Switzerland.

Compared to the First World War, World War II hardly seems to have left its mark on the private wealth-income ratio in Switzerland. We observe sharp declines in the U.S., France, the U.K., and—to a smaller degree—Germany, but the decline in Switzerland is moderate and unsteady. Real income and real wealth remained more or less constant over the period 1939–1945.

After the end of WWII, Switzerland recorded unprecedented, high growth rates. Real national income grew by an average of 5.3% per year until 1970 (Figure B2), contributing to a decline in  $\beta_{pt}$ . From the 1970s onward, however, real income growth fell to 1.8% (average of the 1970–1995 period) and was therefore particularly low—also relative to other countries. The low average income growth rate can be explained by the slump in

economic growth in the 1970s and the deep recession and stagnation phase of the 1990s (Woitek et al., 2012). As a result,  $\beta_{pt}$  returned to its 20th century average of 500%. In contrast, wealth-income ratios rose steadily over the second half of the past century in Germany, the United Kingdom, France, and—although to a lesser extent—also in the United States. Piketty and Zucman (2014) attribute this increase to a long-term recovery in asset prices. They argue that the long-run swing in relative asset prices was itself driven by changes in capital policies. In their view, anticapital policies depressed asset prices in the post war period. When these policies were gradually lifted from the 1980s onward, asset prices started recovering to eventually reach pre-war levels.

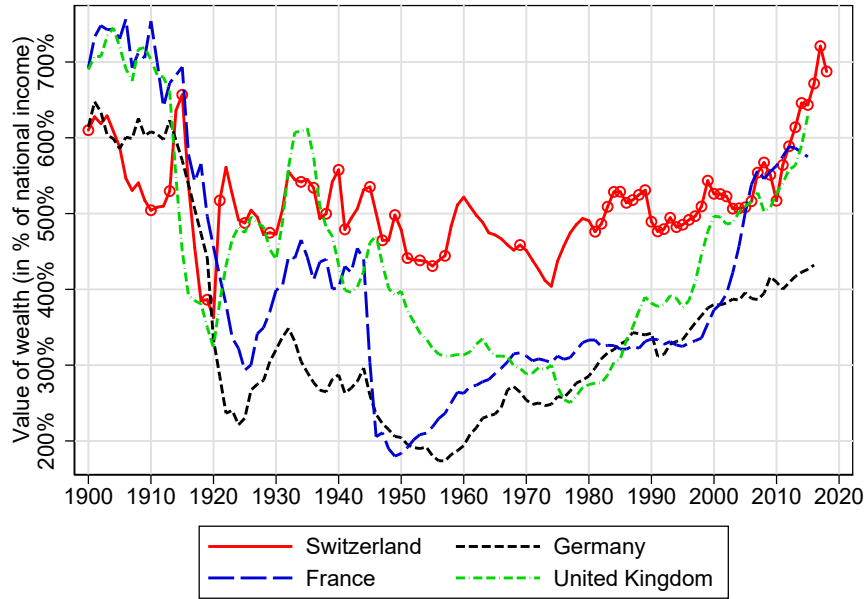
We are not aware of any systematic research which answers the question whether over the long run covering the entire 20th century, asset price and housing bubbles have become more common or more pronounced. But the Case-Shiller home price index for the U.S. as well as the Shiller price-earnings ratio (i.e., the cyclically adjusted price-to-earnings ratio, short: CAPE) suggest that the magnitude of large bubbles which were of macroeconomic importance has increased over time. These findings are in line with the fact that some of the largest bubbles in economic history built up post-1980, including Japan’s real estate and stock market bubble of the 1980s, which burst in 1991; the “Dot-com Bubble”, which peaked in 2000; and the U.S. housing bubble bursting in 2009. For Switzerland, we know that in the 1980s a real estate bubble was building up to burst in 1990 (see Fig. B15.a), which shows real annual changes in housing prices). This explains the sharp drop in  $\beta_{pt}$  between 1989 and 1991.

After the turn of the millennium, we observe a steep increase in  $\beta_{pt}$  in several countries, including Switzerland. Within less than 20 years, the Swiss wealth-income ratio rose from 500% to 700%. Also Sweden, France, the United Kingdom, and Spain have been experiencing rapid increases in their wealth-income ratios. Artola Blanco et al. (2020) find that, at least for Spain, the increase was mainly caused by a large housing bubble which burst in the Great Recession. We come back to the role of capital gains in housing wealth in Switzerland and other countries in Sections 6 and 7.

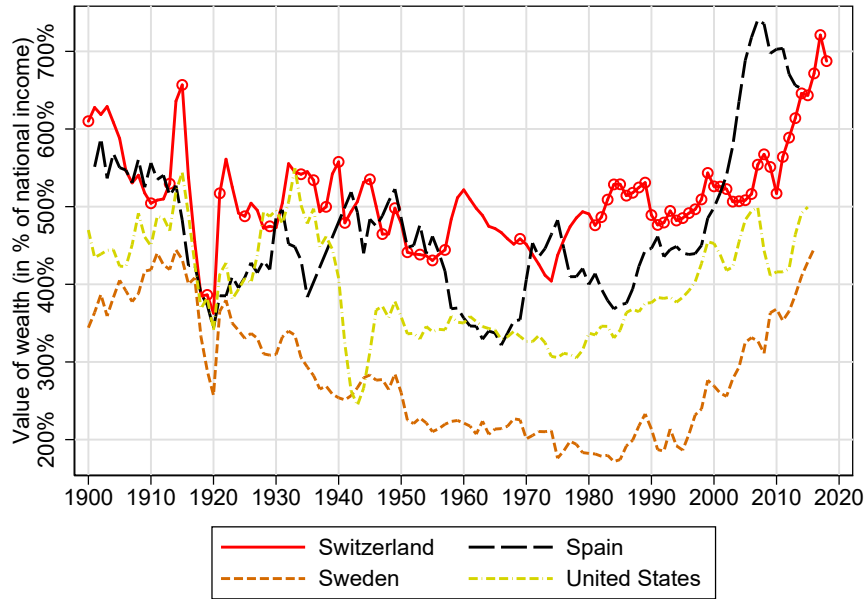
The long run-evolution of the private wealth-income ratio in Switzerland can be summarized as follows. Over the past century, a series of economic shocks and major historical events have inevitably contributed to considerable fluctuations in  $\beta_{pt}$ , also in Switzerland. However, Figure 2 clearly shows that throughout the 20th century in no other country private wealth-income ratios were as stable as they were in Switzerland.  $\beta_{pt}$  oscillated around 500% until the eve of the Great Recession, averaging 490% over the period 1920–2005. This finding of a very stable long-run evolution of the private wealth-income ratio

supports earlier results of Föllmi and Martínez (2017) on the stable level of top wealth shares in Switzerland over the course of the 20th century.

Results by Piketty and Zucman (2014) show that recent wealth-income ratios in Old Europe (particularly in France and the United Kingdom) have almost returned to their high levels of the early 20th century. They rightly conclude that in Europe,  $\beta_{pt}$  has followed a pronounced U-shaped pattern over the 20th century. Our conclusion is that the evolution in Switzerland is better described by a J-shaped pattern: a stable evolution over the 20th century, followed by a very steep increase in the private wealth-income ratio in recent years, which in turn resulted in a level of  $\beta_{pt}$  unprecedented in the entire 20th century. Switzerland therefore resembles the evolution in Spain, where the marked rise in  $\beta_{pt}$  has been driven by real-estate bubbles (Artola Blanco et al., 2020).



(a) Switzerland, Germany, France and the United Kingdom



(b) Switzerland, Spain, Sweden and the United States

Figure 2: Private Wealth-Income Ratio in International Comparison, 1900-2018

*Note:* This figure shows the historical evolution of the private wealth-income ratio  $\beta_{pt}$  for the countries indicated from 1900 to 2018.  $\beta_{pt}$  indicates how many years it would take to accumulate total private wealth if none of national income would be spent on consumption. Note that the marked points for Switzerland indicate observations for which we have wealth-data. The years in between are linearly interpolated. The data sources for Switzerland are described in detail in appendix A.1. The series for Germany, France, the United Kingdom and the United States are based on Piketty and Zucman (2014), from Artola Blanco et al. (2020) for Spain and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.

## 6 Wealth-Income Ratios – Recent Evolution

For the time from 1990 onward, detailed data on the different components of national wealth allows us to study the evolution of these components—namely private, public, and net foreign wealth—in turn.

### 6.1 National Wealth

Figure 3 shows the national wealth-income ratios for Switzerland, Germany, France, Italy, Sweden, and the United States over the period 1990–2018. Switzerland stands out with the highest wealth-income ratio among these economies. We can further distinguish two periods in Switzerland: the years 1990–2006, where the total wealth-income ratio was remarkably stable, ranging around 500 to 550% of annual national income, and the period since 2006 where we observe an increase from 540 to 740%.

This period of rising importance of wealth in comparison to income started during the economic expansion prior to the Great Recession. In contrast to other European countries, the Great Recession and the following European debt crisis only led to a very brief contraction in Switzerland’s wealth-income ratio between 2008 and 2010. This dip in 2010 was the combined result of i) a drop in wealth per capita (see Fig. B3); and ii) an increase in national income per capita of 15% between 2008 and 2010 after the 11% fall between 2006 and 2008 as a result of the Great Recession (see Fig. B2). In other countries, there is hardly any change visible around the 2007–2011 period, with the exception of the U.S. In the U.S., the Great Recession led to a strong drop in the national wealth-income ratio and stabilized after 2009 at around 380–400% of national income—substantially below the 2007 level of almost 500%.

Switzerland’s steady growth in the national wealth-income ratio since 2010 stands in strong contrast to other countries’ experience. Only in Sweden do we observe an upward trend throughout the period 1995–2018. At 740%, however, the wealth-income ratio in Switzerland is around two years of national income higher than in Sweden. Most other countries saw their wealth income ratio stagnate or fall after the Great Recession.



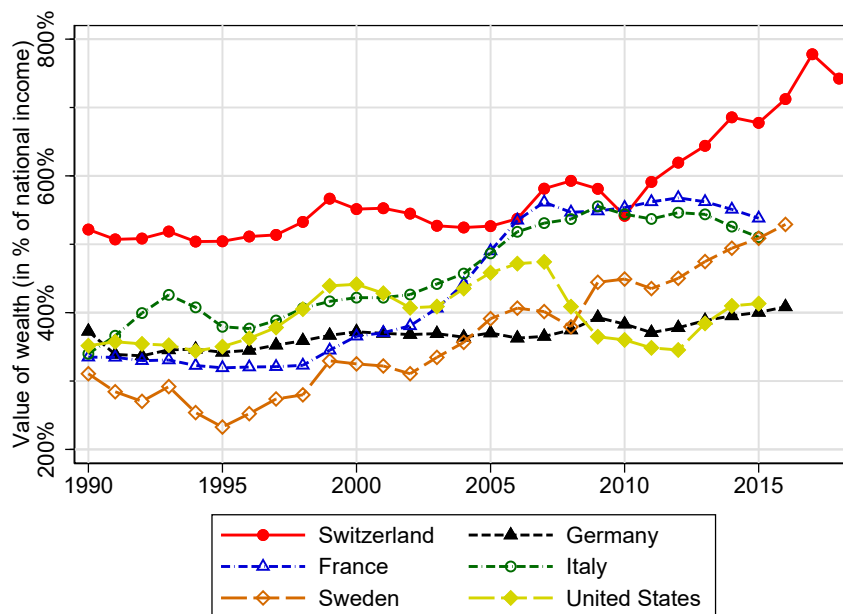


Figure 3: National Wealth-Income Ratios in International Comparison, 1990–2018

*Note:* This figure shows the evolution of the national wealth-income ratio  $\beta_{nt}$  for several countries from 1990 to 2018.  $\beta_{nt}$  is derived by dividing the sum of net private wealth,  $W_{pt}$ , and net public wealth,  $W_{gt}$ , by net national income,  $Y_t$ . Both, private and public wealth, are the sum of financial and non-financial assets minus financial liabilities. In order to present series which are harmonized across countries and over time, non-financial assets of private households,  $K_{pt}$ , only include of housing wealth (i.e.,  $K_{pt} = H_{pt}$ ). The data sources for Switzerland are described in detail in appendix A.1 and A.2. The series for Germany, France, Italy and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.

## 6.2 Public Wealth

The share of public wealth in total national wealth is relatively low, ranging between 3 to 7% in the period 1990–2018. As a consequence, the value of public wealth measured in national income is low. As Figure 4 shows, it would take around half a year’s national income to buy all the government owned assets—compared to the 7 annual national incomes needed to match private wealth. Even though estimates of public wealth at market value are likely less precise than those for private wealth (since the market value of assets such as schools, hospitals or highways cannot be measured directly; see Piketty, 2014, for a discussion) and assuming a relatively large margin of error, it is apparent that national wealth consists largely of private wealth.

Interestingly, the increasing wealth-income ratio can be observed in both, public and private wealth-income ratios. Over the entire observable period Switzerland’s public wealth-income ratio rose from 32% in 1990 to 55% in 2018. For both series, the increase has become very steep since 2010.

This upward trend in public wealth stands in clear contrast to most other countries' experiences (shown in Figure B7), as they have seen a decline in public wealth measured in national income over this period—particularly, Italy (-81pp), Germany (-65pp) or the U.S. (-46pp). These developments are the result of continuing public deficit spending. Over the period 1995–2010, 30–45% of private savings in these countries were absorbed by government budget deficits, as governments ran these deficits to pay current expenses, rather than for investments—with the result that they saw their public net wealth shrink (Piketty, 2014, p. 185–186).

Piketty (2014) further shows that in some countries such as Germany and France, public wealth accounted for up to one-third of national wealth between 1950 and 1970. In recent years, that figure was down to 3–5% in both countries. Due to the lack of data, we are unfortunately not able to compute series on public wealth in Switzerland for the time before 1990 to understand the long run trend in public wealth. Since 1990, however, the share of public wealth in national wealth has been rather stable and even increasing in recent years.

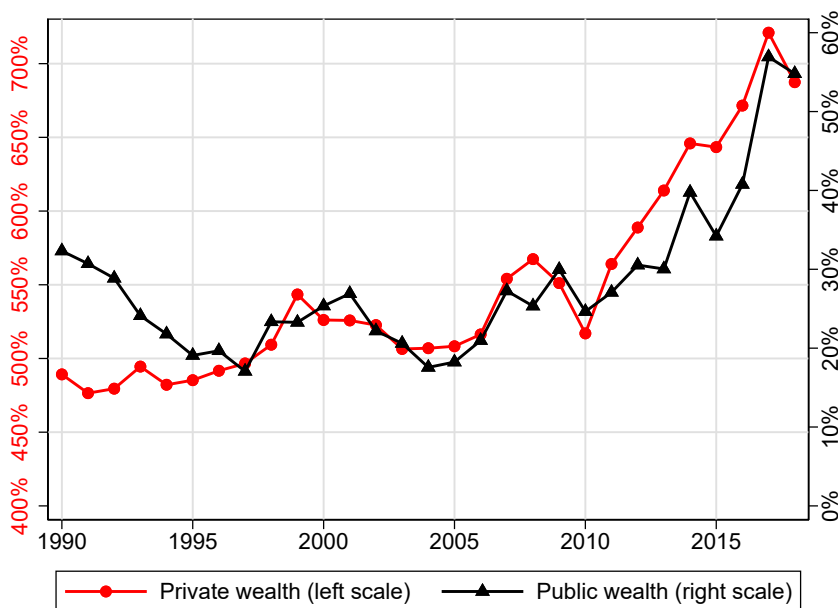


Figure 4: Private and Public Wealth in Percent of National Income in Switzerland, 1990–2018

*Note:* This figure displays both the evolution of the private wealth-income ratio  $\beta_{pt}$  and the public wealth-income ratio  $\beta_{gt}$  of Switzerland between 1990 and 2018. Where private wealth  $W_{pt}$  is the sum of private non-financial assets (consisting only of housing wealth) and financial assets minus financial liabilities. Public wealth  $W_{gt}$  is the net wealth of all public administrations and government agencies at all government levels. Where  $W_{gt}$  is the sum of its sub components non-financial assets  $K_{gt}$ , financial assets  $F_{gt}$  and financial liabilities  $L_{gt}$ . For both public and private wealth the development is shown in terms of national income  $Y_t$ . The data sources are described in detail in appendix A.1 for private wealth and in A.2 for public wealth.

Three key factors have contributed to the observed increase in public wealth in Switzerland since 2004, the year public wealth was at its lowest value in the period we study. First, price effects led to significant capital gains. Second, the introduction of the debt brake at national level in 2003 (and subsequently in a series of cantons), led to a substantial reduction in public debt. Third, the exceptional monetary policy with negative interest rates and the strong Swiss currency lead to large seigniorage incomes from the Swiss National Bank over the past years.

The increase in the public wealth-income ratio can be the result of saving as well as price effects leading to capital gains as shown in the decomposition in equation (9). Re-arranging equation (9) allows to estimate the price effect,  $(1 + q_t)$ , on the change in  $\beta_g$  from public saving rate  $(1 + g_{st}^w)$  and income growth rate  $(1 + g_t)$ :

$$(1 + q_t) = \frac{1 + g_t}{1 + g_{st}^w} \frac{\beta_{gt+1}}{\beta_{gt}}$$

Accordingly, around 30% of the increase in public wealth-income ratio between 1995 and 2018 can be attributed to capital gains.

The decomposition above implies that the other 70% of the increase has to be attributed to public savings.<sup>9</sup> This is in line with Figure 5, according to which debt reduction has contributed the most towards the increase of total net public wealth. Liabilities fell substantially after 2002, from 73% to 52% in 2008. The timing coincides well with the introduction of the “debt brake” at the federal level in 2003, a fiscal rule which requires the government to save during economic expansions, thereby reducing and avoiding structural deficits.<sup>10</sup> Using a synthetic control approach, Schaltegger and Salvi (2016) show that the debt brake indeed contributed substantially towards the significant public debt reduction that took place since 2003. Similar developments are observed at the cantonal level, as cantons also adopted “debt brakes” and similar budget rules in the 2000s (see Yerly, 2013, for an overview).

The increase in public wealth during this period was further fueled by monetary policy. With the aim to counteract the appreciation of the Swiss Franc, the Swiss National Bank (SNB) has adopted a quantitative easing policy which includes negative interest rates. As a side effect, this significantly reduced the burden of public debt service. In addition, the SNB’s policy generated large seigniorage incomes, of which two thirds are distributed to the cantons and one third to the central government. Between 2003 and 2011, the SNB

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<sup>9</sup>Note that net public savings (see Tab. B1) and capital gains in public wealth (see Tab. B5) exhibit significant fluctuations over time.

<sup>10</sup>For additional information see: [https://www.efv.admin.ch/efv/en/home/themen/finanzpolitik\\_grundlagen/schuldenbremse.html](https://www.efv.admin.ch/efv/en/home/themen/finanzpolitik_grundlagen/schuldenbremse.html)

distributed 2.5 billion and more each year to the cantons and the federation together. Taken together, all these developments led to an increase in financial public wealth.

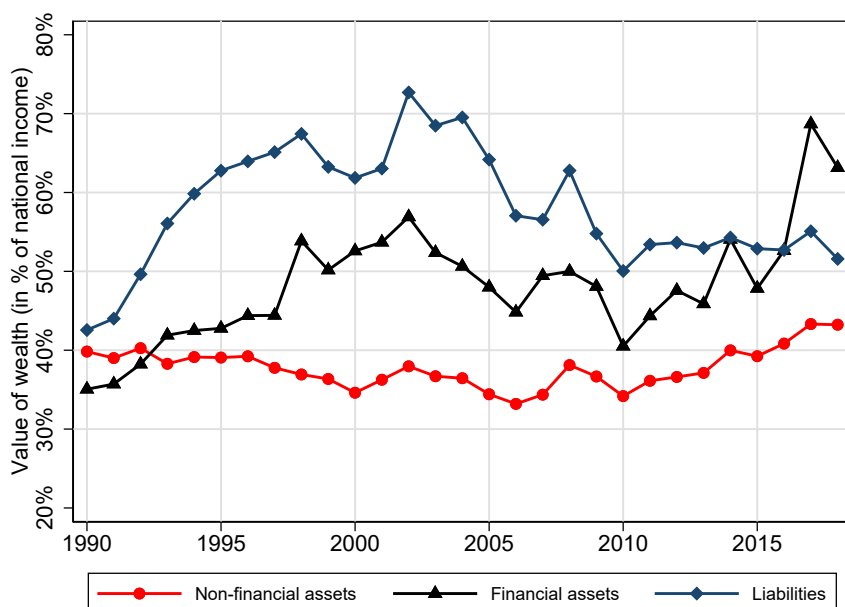


Figure 5: Decomposition of Total Net Public Wealth in Switzerland, 1990–2018

*Note:* This figure shows the evolution of three main components of net public wealth  $W_{gt}$ : public non-financial assets  $K_{gt}$ , public financial assets  $F_{gt}$  and public financial liabilities  $L_{gt}$  measured in national income  $Y_t$  between 1990 and 2018.  $W_{gt}$  is the sum of all net wealth of public administrations and government agencies at all government levels. Note that public financial liabilities  $L_{gt}$  are actually negative. To obtain net public wealth  $W_{gt}$  one has to subtract  $L_{gt}$  from the sum of  $K_{gt}$  and  $F_{gt}$ . The corresponding data sources are described in appendix A.2.

The increase in financial assets described in Figure 5 reflects the evolution at both, the cantonal and federal levels; increases in non-financial assets happened at the municipality and cantonal levels while they fell for the confederation (see Fig. B8). The value of non-financial assets in terms of national income remained relatively stable over the past three decades.

To uncover heterogeneity in net public wealth at different government levels, we further decompose total public wealth into wealth held by the Swiss Federation, the cantons (i.e., Switzerland’s federal states), municipalities, and social security funds.

Figure 6 reveals the relative importance of public wealth as a share of total wealth since 1990 by state level. Undoubtedly, a major shift has taken place from the central government (federal government including social security funds) to the lower levels of government, i.e., the municipalities and cantons.

At the federal level, the development is striking: net wealth measured in national

income fell from 17% in 1990 to as little as 1.6% in 2005. Since then a gradual recovery has been observed, although at 15.5% the wealth-income ratio at the federal level remains below its 1990 level. The situation is completely different for the cantons as well as for the municipalities. The entire increase in Switzerland’s public net wealth—relative to national income—has taken place at these two levels of government. The rise in cantons’ public wealth accounts for roughly 17.5pp of the total 22.5 percentage point increase in the public wealth-to-income ratio. Municipalities added another 7.6pp of the total 22.5pp increase in the public wealth-to-income ratio. This leaves the federal level and the social security funds with a negative contribution (-1.7pp and -0.9pp, respectively) to the public wealth-income ratio between 1990 and 2018 (see Fig. B9).

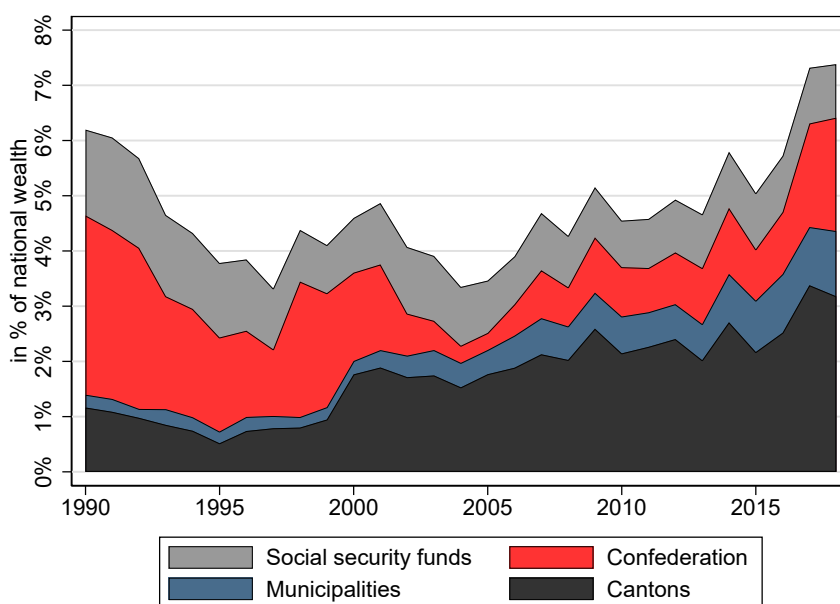


Figure 6: Public Wealth by Government-Level as Share of National Wealth, 1990–2018

*Note:* This figure displays the evolution of net public wealth  $W_{gt}$  of Switzerland as share of total national net wealth  $W_{nt}$  from 1990 to 2018 decomposed by the four government levels indicated above. The data sources are described in detail in appendix A.2.

### 6.3 Private Wealth and the Rise in Housing Wealth

Since private wealth makes up around 95% of national wealth in Switzerland, private wealth parallels the evolution of national wealth—which is not the case in all countries. Particularly, Italy is much richer in private wealth than in national wealth, indicating high public debt levels, while Sweden has high levels of net public wealth, which contributes about one fifth to total national wealth (see Fig. B5).

The composition of net private wealth in Switzerland shown in Figure 7 reveals that the evolution of total wealth can be traced back almost one to one to housing wealth. Net-financial wealth has been very stable at around 100% of national income, and pension wealth has risen steadily but slowly to just below 200% of national income. This slow but steady increase in pension wealth is the combined result of pension reforms and individual responses to demographic change and longer life expectancy.

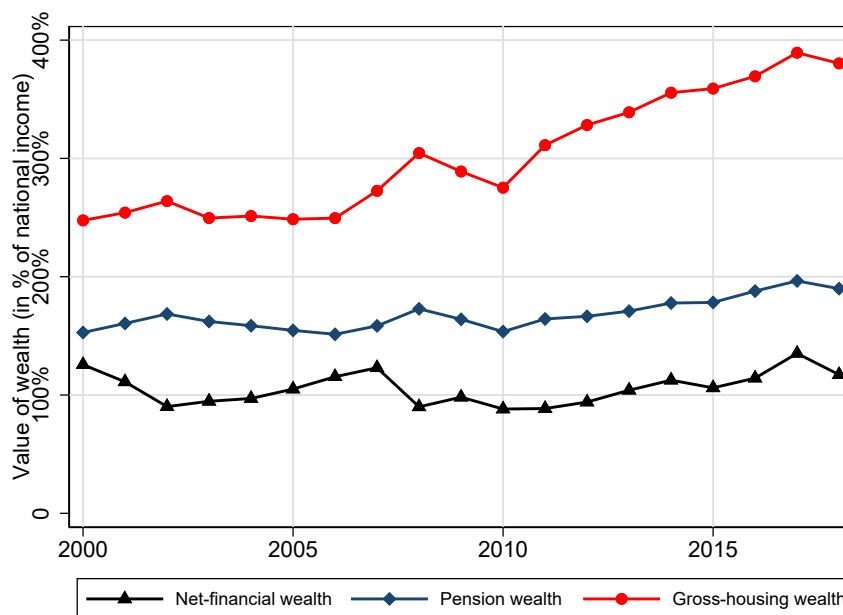


Figure 7: Main Components of Private Wealth in Switzerland, 2000–2018

*Note:* This figure shows the evolution of three main components of private wealth  $W_{pt}$ : gross housing wealth, net financial wealth and pension wealth measured in national income  $Y_t$  between 2000 and 2018. The sum of these three sub components add up to total net private wealth as depicted in Figure B5. Detailed information on these three subcomponents can be found in appendix A.1.

The strong increase in housing wealth as share of total wealth is striking, especially because, like Germany, Switzerland is a land of tenants: the homeownership rate amounts to 38% of households and was at 32% in 1990.<sup>11</sup> Although there has been an increase in homeownership, the increase in housing wealth especially after 2010 has been much stronger.

One likely explanation is the observed sharp increase in real housing prices, shown in Figure 8. While real estate prices in Switzerland started to rise already after 2003, the increase clearly became steeper after 2010. In an environment of a strong currency and extremely low—since December 2014 even negative—interest rates, investment op-

<sup>11</sup>Source: Swiss Census 1990, 2010.

portunities have become more attractive but also harder to find. Real estate is seen as an alternative asset class to government bonds and stocks, granting high returns. Private households as well as institutional investors (e.g., pension funds) and firms have been seeking out investment opportunities in real estate (Wijburg and Aalbers, 2017). Prevailing low interest rates therefore have likely increased the demand for real estate (Wildauer and Stockhammer, 2018; André, 2010). This is supported by the finding that during that time also mortgage debt levels have increased by one quarter, going from 122% of national income in 2010 to 153% in 2018, as shown in Figure 9.

The increase in housing wealth relative to national income is by no means a unique Swiss feature. Appendix Figure B6 shows how the value of housing wealth in national income has been rising for a series of countries, except the U.S. Figure 8 further reveals the general trend in rising housing prices across Europe and in the U.S. The correlation of private wealth with real estate prices seems especially pronounced in countries where homeownership is widespread. This is the case in Italy (73% of population live in self-owned dwelling), Sweden (66%), France (64%) and the U.S. (66%).<sup>12</sup>

The relationship between real estate prices, homeownership rates and the total private wealth-to-income ratio seems particularly plausible in the U.S. case, where homeownership fell from a peak of 69% in 2005 to 63% in 2016. Prices fell sharply in 2007 and 2008 and only started rising again after 2011. The U.S. therefore experienced the combination of a crisis in the real estate market, which drove down homeownership rates and prices, and the destruction in financial assets caused by the Great Recession.

We come back to the role of capital gains and savings in housing wealth in Section 7, where we argue that this increase in housing wealth is driven by a relative increase in housing prices.

At the same time, also annual population growth spurred, increasing from 0.24% in 1997 to 1.27% in 2008. Ever since it has remained above 1%, larger than in most other developed economies.<sup>13</sup> Population growth also contributed to increased housing demand. Because it takes time to increase housing supply and moreover urban land is fixed and therefore scarce. This idea dates back to Ricardo's (1817) famous principle of scarcity; recent empirical contributions supporting this view include Rognlie (2015), Knoll et al. (2017), or Grossman and Steger (2017). The increased demand for housing from continuous population growth and low interest rates therefore ultimately led to the observed increase in real estate prices.

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<sup>12</sup>Sources: Eurostat (IT, SW, FR, 6-year average 2012–2017); U.S. Census (US).

<sup>13</sup>Data source: The World Bank.

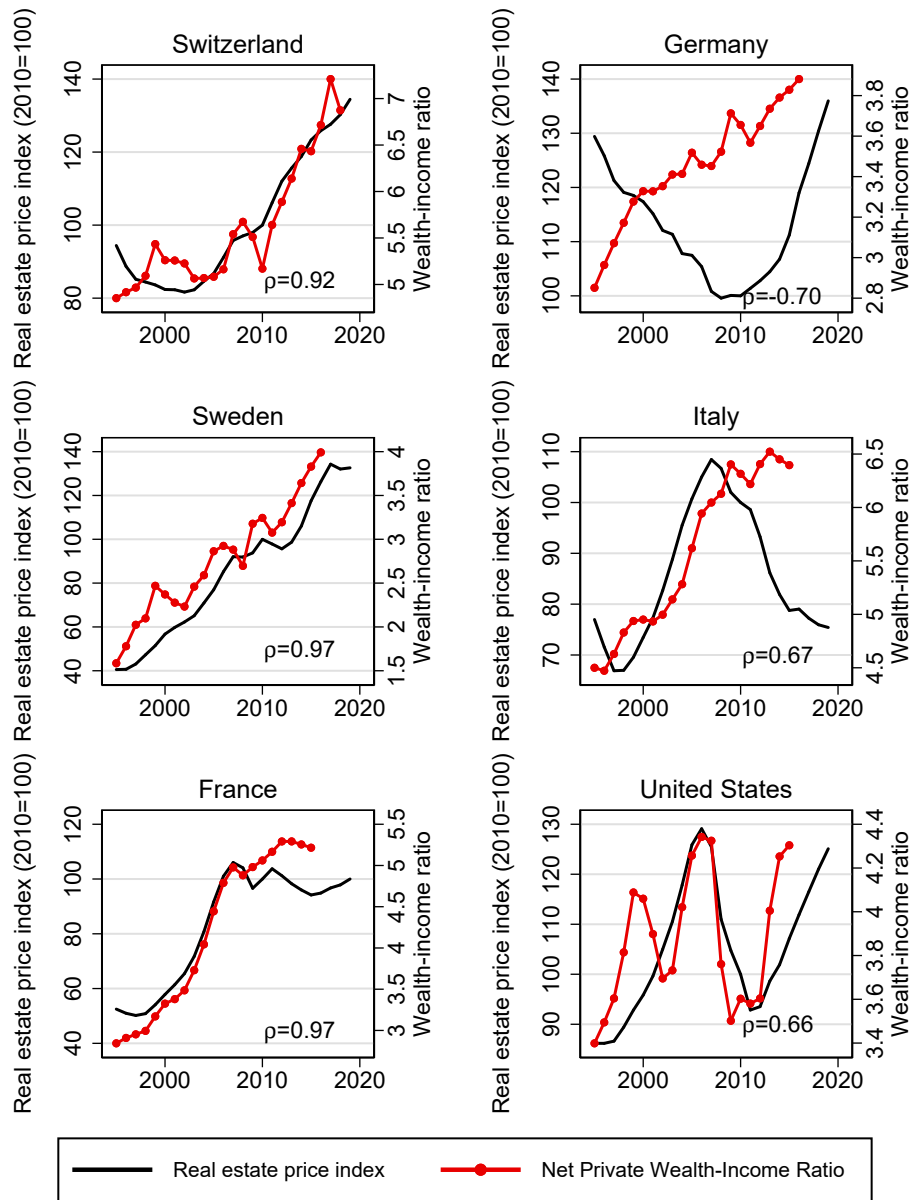


Figure 8: Wealth-Income Ratios and Real Estate Price Indices, 1995–2017

*Note:* This figure shows private wealth-income ratios in Switzerland, the U.S., Sweden, Germany, Italy and France along with real house price indices of each of those countries. The price indices were obtained online from the OECD in September 2020. The data for the real house price indices are described in appendix A.10. Appendix Figure B10 illustrates private wealth-income ratios along with real house price indices for the U.K., Australia, Canada, Spain, Japan and Norway.



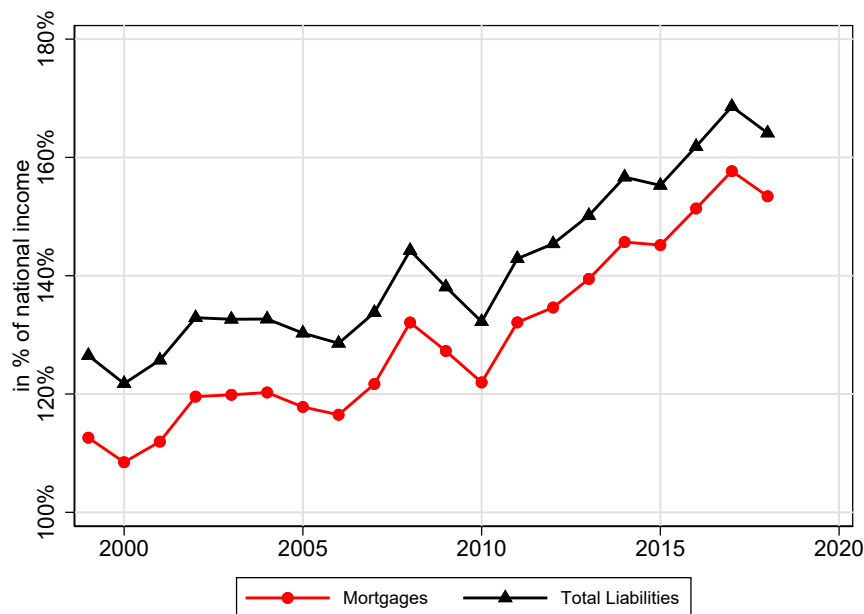


Figure 9: Private Debt-Income Ratios in Switzerland, 1999–2018

*Note:* This figure illustrates the evolution of total private financial liabilities  $L_{pt}$  and its main sub-component mortgages as a ratio of national income between 1999 and 2018. The data sources for Switzerland are described in detail in appendix A.1.

## 6.4 Net Foreign Wealth

Switzerland stands out with its high value of net foreign wealth, which for the period 1995–2018 lies between 100 and 170%. This is substantially more than in most other countries, where this ratio has rarely ever exceeded 25% in the post-war period and even turned negative in the recent period (see Fig. B11). Despite Switzerland’s high level of net foreign wealth, however, the recent increase in national wealth is solely due to an increase in domestic wealth as shown in Figure 10.

The high net foreign wealth in Switzerland itself is the result of a set of factors which have been changing over time. The stable evolution therefore masks substantial heterogeneity among the different net foreign wealth components. Until the Great Recession, direct investment and portfolio investment comprised 70–95% of total foreign net wealth. The reasons for these high values lie in the high savings rate (see Tab. B2) and the limited investment opportunities within Switzerland. However, after 2009 net direct and especially net portfolio investment fell steadily. Furthermore other investment had an increasingly dampening effect on the Swiss net foreign wealth position. On the other hand, however, in an attempt to stabilize the Swiss currency, the Swiss National Bank bought unprecedented amounts of foreign currency, leading to an increase in reserve as-

sets, which in turn more or less offset the fall in foreign investment. (Swiss National Bank, 2018)

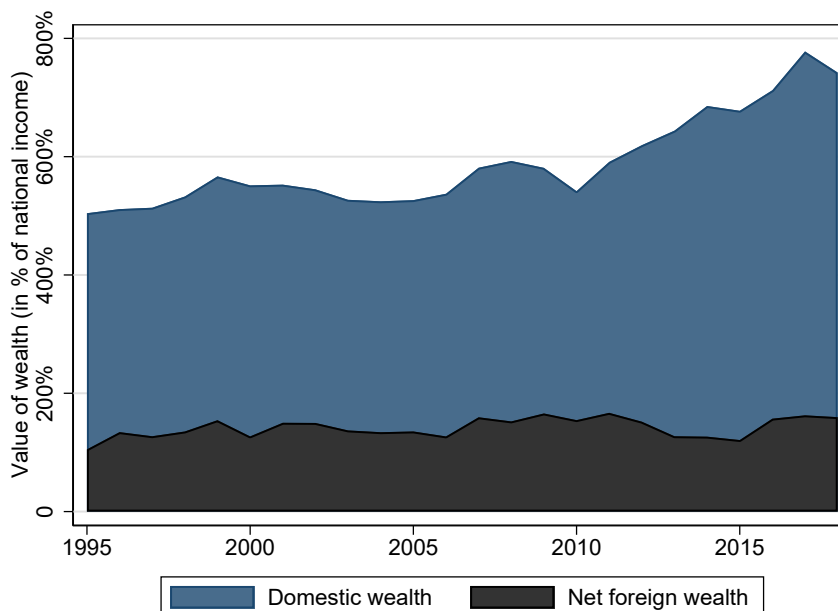


Figure 10: The Evolution of Domestic and Net Foreign Wealth of Switzerland, 1995–2018

*Note:* This figure displays the evolution of Switzerland’s national wealth-income ratio  $\beta_{nt}$  for the period 1995 to 2018 with the distinction of domestic capital  $K_{nt}$  and net foreign wealth  $NFA_{nt}$ . By construction it is the case that domestic capital plus net foreign wealth is equal to the sum of net private and public wealth. The data sources are described in appendix A.3.

## 7 What Explains the Rising Wealth-Income Ratio?

Switzerland’s national wealth-income ratio has risen sharply over the past decade (see Fig. 3). The immediate question is how to account for this enormous rise. In principle, there are two possible drivers: lower income growth and faster wealth accumulation. The latter can further be the result of an increased saving rate or large capital gains. Capital gains arise when the valuation of an asset increases, which is why we also refer to capital gains as (relative) price effects. Price effects typically affect certain types of assets, such as stocks or housing wealth. In this section, we discuss these different factors in turn.

### 7.1 Income Growth and Savings

In a model with a constant relative price between capital and consumption goods (and hence no capital gains) as outlined by the Harrod-Domar-Solow formula adopted in Piketty and Zucman (2014), the national wealth-income ratio is determined by the na-

tional savings and income growth rates:  $\beta_n = s/g$ . Table 1 presents the savings and income growth rates in Switzerland for the period 1995 to 2018 and three sub-periods.

We draw three findings from this table. First, the income growth rate has declined over time. In the recent period 2010–2018, marked by the large increase in the national wealth-income ratio, the growth of national income was very low. Per capita growth was even negative. In the preceding 2002–2010 period, in contrast, national income grew extraordinarily strongly at 3.0% (see Tab. 1). This in turn has led to a slight decline in the national wealth-income ratio during that time, despite a relatively high growth rate of national wealth of 2.9%. Second, the net national savings rate has been relatively stable over the period 1995–2018.<sup>14</sup> Third, in contrast to income growth and despite the stable evolution of savings, the real growth rate of national wealth has been high and even rising over time. Over the full period from 1995 to 2018, the yearly real growth of national wealth was 3.4%, but it reached 4.9% in the 2010–2018 period.

Attributing the increase in the national wealth-income ratio merely to a decline in growth does therefore not do justice to reality.<sup>15</sup> To accommodate the observed real growth in wealth accumulation, we next turn to capital gains.

## 7.2 Wealth Accumulation Through Capital Gains

While the Harrod-Domar-Solow formula abstracts from capital gains, in reality we do observe large capital gains due to relative price changes. Especially in the short to medium run, capital gains turn out to be crucial for the accumulation and evolution of wealth.

By taking into account capital gains, we can decompose the accumulation of national wealth into a savings and a capital gains component using equation (9). Following equation (9), 2.7pp of the 3.4% yearly real growth rate of national wealth is attributable to savings, leaving a capital gain effect of 0.7pp.<sup>16</sup> Accordingly, four-fifths of the increase in the national wealth-income ratio between 1995 and 2018 is attributable to savings, while capital gains accounted for about one-fifth.

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<sup>14</sup>This stability conceals some heterogeneity in the composition of national savings. For a breakdown of the structure of Swiss national savings, see Table B1. Table B2 shows the structure of national savings in an international comparison, whereby the high level of savings in Switzerland, but also the international heterogeneity in particular, should be noted.

<sup>15</sup>This is also apparent from the international comparison of growth rates and changes in national wealth-income ratios, which are summarized in Table B3. In this short-run comparison, higher growth rates coincide with an increase in  $\beta_{nt}$ , which is unreasonable on the basis of a one-good capital accumulation model.

<sup>16</sup>Note that because we have to estimate capital gains as a residual, these figures may include not only actual valuation effects but also potential measurement errors.

Table 1: Income Growth, Saving Rates and Wealth Accumulation in Switzerland, 1995–2018

|   |                     | Sub-Periods |           |           |           |
|---|---------------------|-------------|-----------|-----------|-----------|
|   |                     | 1995–2018   | 1995–2002 | 2002–2010 | 2010–2018 |
| <b><i>Income growth</i></b>                 |                     |             |           |           |           |
| Real income growth rate                     | $g$                 | 1.7%        | 1.2%      | 3.0%      | 0.8%      |
| Population growth rate                      | $n$                 | 0.8%        | 0.5%      | 0.9%      | 1.1%      |
| Real income p.c. growth rate                | $\hat{g}$           | 0.9%        | 0.7%      | 2.1%      | -0.2%     |
| <b><i>Capital accumulation</i></b>          |                     |             |           |           |           |
| Net saving rate                             | $s$                 | 15.7%       | 14.6%     | 16.4%     | 15.9%     |
| Real wealth growth rate                     | $g^w$               | 3.4%        | 2.4%      | 2.9%      | 4.9%      |
| ... savings-induced ( $g_s^w = s/\beta_n$ ) | $g_s^w$             | 2.7%        | 2.8%      | 2.8%      | 2.5%      |
| ... capital gains induced                   | $q$                 | 0.7%        | -0.4%     | 0.1%      | 2.4%      |
| Rel. contribution savings                   | $g_s^w/g^w$         | 80%         | 119%      | 98%       | 52%       |
| Rel. contribution capital gains             | $q/g^w$             | 20%         | -19%      | 2%        | 48%       |
| <b><i>Wealth-income ratio</i></b>           |                     |             |           |           |           |
| At beginning of period                      | $\beta_{n,t}$       | 504%        | 504%      | 545%      | 542%      |
| At end of period                            | $\beta_{n,t+d}$     | 742%        | 545%      | 542%      | 742%      |
| Change                                      | $\Delta\beta_{n,t}$ | +238 pp.    | +40 pp.   | -3 pp.    | +201 pp.  |

*Note:* This table displays annual growth rates of real national income, net national savings, and real wealth, respectively, along with the population growth rate. All growth rates are geometric averages over the indicated period. The average saving rates are obtained by weighting yearly saving rates by real national income. The average real growth rate of national wealth,  $g^w$ , is decomposed into a savings-induced component,  $g_s^w$ , and capital gains or losses,  $q$ , using the formula in equation (9). Wealth-income ratios in the corresponding years,  $\beta_{n,t}$  and  $\beta_{n,t+d}$ , are indicated at the bottom of the table. The last row shows the change in percentage points (pp.) of the national wealth-income ratio  $\beta_{nt}$  over the corresponding period. Detailed information on the data can be found in the corresponding subsections in Appendix A.

Comparing different sub-periods between 1995 and 2018, Table 1 reveals some remarkable differences in how new savings and capital gains have contributed to the accumulation of national wealth.<sup>17</sup> First, real annual growth of national wealth was about twice as high after the Great Recession than it was in the 1990s and the first decade of the 21st century.

Second, the savings-induced growth rate of wealth has been rather stable over the different periods. This is largely due to the stable national saving rate. If anything, the savings-induced growth rate of wealth has been declining and has been lowest in the 2010–2018 period where we observe by far the largest increase in the national wealth-income ratio.

Third, we can distinguish three sub-periods which mark the changing importance of capital gains over time: i) Between 1995 and 2002, capital gains were slightly negative, such that capital losses dampened the real growth of national wealth. ii) From 2002 to 2010, the growth rate of national wealth was almost exclusively determined by savings. Capital gains induced growth was virtually zero and in line with the Harrod-Domar-Solow formula. iii) In the most recent period from 2010 to 2018, national wealth grew exceptionally fast as a result of high capital gains. Substantial capital gains of around 2.4% per year have nearly doubled the growth rate of real national wealth to 4.9% in the years between 2010 and 2018.

Hence we conclude that the marked increase in the national wealth-income ratio after the Great Recession was mainly driven by the emergence of large capital gains, which led to a substantial increase in the national wealth growth rate. At the same time, this period coincided with a considerable deceleration in income growth, which in turn allowed the wealth-income ratio to rise even more.

### 7.3 The Role of Housing Wealth

Next, we turn to the nature of these capital gains. From 2000 to 2018, real national net wealth rose by 1'704 billion Swiss francs, 88.7% of which is attributable to an increase in private wealth.<sup>18</sup> Therefore, in this section, we focus on private wealth, which can further be decomposed into financial and housing wealth.

Analogous to Table 1, Table 2 decomposes the real growth rate of total net private wealth,  $W_{pt}$ , as well as gross housing wealth,  $H_{pt}$ , and net financial wealth,  $F_{pt} - L_{pt}$ , into

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<sup>17</sup>Table B4 in the appendix provides the same decomposition for Switzerland, Germany, Italy, Sweden and the United States.

<sup>18</sup>As in Table 1, Table B5 in the appendix provides a decomposition of the growth rates of national wealth into a savings and a capital gains component for the period 2000–2018, breaking down national wealth according to its components of private and public wealth.

a savings-induced and an estimated capital gains component.<sup>19</sup> Again we study different periods, but note that due to data availability of different components of private wealth prior to the year 2000 (as described in Section 4), this analysis is limited to the first two decades of the 21st century.

Over the entire 2000–2018 period, housing wealth grew twice as fast as net financial wealth (non-housing wealth). At 2.1% and 2.2%, respectively, the savings-induced growth rate was about just as large for housing wealth as it was for financial wealth. What sets the two of asset classes apart are the large capital gains incurred in the housing sector over this period, which contributed 1.7pp (or 44%) to the annual growth rate. In contrast, financial assets incurred capital losses over this period, lowering the overall growth rate in financial wealth.

These capital losses were incurred during the first decade of the 21st century, as shown in Panel B of Table 2. During this period, financial markets were hit by both, the dot-com bubble and the Great Recession. Nevertheless national income grew, and as a result the non-housing wealth-to-income ratio fell between 2000 and 2010, and so did the total private wealth-income ratio. Only housing wealth was growing faster than national income. The savings-induced growth rate in financial wealth remained stable during that period. It was even slightly higher than in the subsequent period (shown in Panel C) and considerably higher than the savings-induced growth rate in housing wealth. Yet while financial wealth suffered from capital losses, housing prices picked up, which led to an annual increase of 1.1% in housing wealth.

Growth in housing wealth accelerated further after 2010, spurred once more by capital gains. And their role seems to be growing over time: they made up for almost half to the 5% annual growth rate in housing wealth between 2010 and 2018. Performance of housing wealth since 2010 has been exceptional: in less than a decade, housing wealth grew by more than the size of one year of national income. Of that total, about half is the result of a relative increase in real estate prices.

Financial wealth recovered and grew at a high rate as well during the 2010–2018 period, but growth still remained below that of housing wealth. Overall, housing wealth has been gaining ground over financial wealth since the turn of the century. As a result, the housing wealth-to-income ratio stood at 380% in 2018—132pp higher than almost two decades earlier.

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<sup>19</sup>The approach and the data with which we decompose the real growth rates are described in detail in Section A.9 of the appendix.

Table 2: The Accumulation of Private Wealth in Switzerland, 2000–2018

|                           | Private wealth-income ratios (%) |                 | Decomposition of the private wealth growth rate (%) |                                    |  |
|---------------------------|----------------------------------|-----------------|---|------------------------------------|--|
|                           | $\beta_{p,t}$                    | $\beta_{p,t+n}$ | Real growth rate of private wealth                  | Savings-induced wealth growth rate | Capital gains induced wealth growth rate |
|                           | $\beta_{p,t}$                    | $\beta_{p,t+n}$ | $g_w$   | $g_{ws} = s/\beta_p$               | $q$                                      |
| <b>Panel A: 2000–2018</b> |                                  |                 |   |                                    |  |
| Total Private Wealth      | 526%                             | 687%            | 2.9%  | 2.2%<br>76                         | 0.7%<br>24                               |
| Housing Wealth            | 248%                             | 380%            | 3.8%  | 2.1%<br>56                         | 1.7%<br>44                               |
| Non-Housing Wealth        | 278%                             | 307%            | 1.9%  | 2.2%<br>113                        | -0.3%<br>-13                             |
| <b>Panel B: 2000–2010</b> |                                  |                 |   |                                    |  |
| Total Private Wealth      | 526%                             | 517%            | 1.6%  | 2.1%<br>130                        | -0.5%<br>-30                             |
| Housing Wealth            | 248%                             | 275%            | 2.9%  | 1.8%<br>63                         | 1.1%<br>37                               |
| Non-Housing Wealth        | 278%                             | 242%            | 0.4%  | 2.4%<br>625                        | -2.0%<br>-525                            |
| <b>Panel C: 2010–2018</b> |                                  |                 |   |                                    |  |
| Total Private Wealth      | 517%                             | 687%            | 4.5%  | 2.3%<br>51                         | 2.2%<br>49                               |
| Housing Wealth            | 275%                             | 380%            | 5.0%  | 2.6%<br>51                         | 2.4%<br>49                               |
| Non-Housing Wealth        | 242%                             | 307%            | 3.9%  | 1.9%<br>48                         | 2.0%<br>52                               |

*Note:* This table displays the changes in private net wealth  $W_{p,t}$  and its to main subcomponents—private housing,  $(H_{pt})$ , and non-housing wealth,  $(F_{pt} - L_{pt})$ —between 2000 and 2018. The first two columns indicate the level of the total private wealth-income ratio  $\beta_{p,t}$ , the housing wealth-income ratio and the non-housing wealth-income ratio respectively in the corresponding years. The third column shows the average real growth rate  $g_w$  of the respective wealth components over the different time periods. With the formula in Equation (9) it is possible to decompose the real wealth growth rate  $g_w$  into two multiplicative components. Where one part of the wealth growth rate is savings-induced  $g_s^w$  and the other part are capital gains or losses  $q$ . The small numbers below the growth rates in columns 5 and 6 indicate the share in the total average real growth rate  $g_w$ . The methodology used to decompose the changes of the depicted private wealth categories into a savings and capital gains component is described in detail in Section A.9 in the appendix. Note that the saving rate used in the above decomposition is the net saving rate of private households. The results of the same decomposition using the net private saving rate (including retained earnings of corporations) is shown in Table B6 in the appendix (see in this context also Footnote 41). All growth rates are geometric averages. Detailed information on the data can be found in the corresponding subsections in Appendix A.

The different developments in financial and housing wealth raise the question whether changes in the wealth-income ratio can be explained by capital gains in either housing wealth or financial wealth. The role of housing prices and bubbles in the accumulation and distribution of wealth has recently been documented for a series of countries, including Spain, France, and the U.S. (Martínez-Toledano, 2020). Piketty and Zucman (2014) and Artola Blanco et al. (2020) find that the recent rise in household wealth to national income ratios has mainly been driven by capital gains on housing. A visual comparison of housing prices and private wealth-income ratios supports these findings for a large number of countries with available data (see Fig. 8 and Fig. B10).

To understand to which degree this is true, we run OLS country regressions of the annual change in the wealth-income ratio on the change in real stock prices and the change in real housing prices in Switzerland and 11 countries, for which data is available.<sup>20</sup> The country regressions generally cover 45–50 years, depending on data availability, from the 1970s to the present. As most wealth-income ratios and price indices exhibit a clear trend, we transform all the series to changes. These series, shown in Figure B15 in the appendix, are stationary (as are the residuals from our regressions). Since all units are percentage changes, it is further possible to directly compare the regression coefficients.

Results for Switzerland and the full panel of countries are shown in Table 3. We regress the change in wealth-income ratios either on the change in real house or real share prices in the respective country (Columns 1 and 2), on both (Column 3). In Column 4, we further control for changes in the MSCI world share price index, which captures global stock price changes. While investors typically have a home bias, it might nevertheless be that in some countries investors seek out for greener grass abroad, in which case financial wealth fluctuates more strongly with international stock prices as measured by the MSCI world index. The panel regressions further include country and year fixed effects, however the results are not sensitive to the inclusion of these fixed effects (see Tab. B7).

Considering the whole period from 1970 to 2018, we do not find a systematic correlation between real house prices and share prices on the one hand and the wealth-income ratio on the other in Switzerland. Only when looking at the more recent period from 1990 onward, we find that growth in housing prices is systematically correlated with changes in the wealth income ratio: a one percentage point increase in real housing prices is

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<sup>20</sup>House and stock price data are available on a country by country base from the OECD and data on the private wealth-income ratio from WID.world, see appendix for details. We include in our analysis all developed economies for which long-run series on the private wealth-income ratio exist. These are namely Australia, Canada, France, Germany, Italy, Japan, Norway, Spain, Sweden, Switzerland, the U.K. and the U.S. The observation period is limited due to the availability of data on  $\beta_{pt}$  for the three countries Canada (1980–2010), Germany (1989–2016) and Norway (1993–2015). All data used in the regression analysis are shown country by country in Figure B15.



Table 3: Regressions of Wealth-Income Ratios on Stock and House Prices

|  | (1)            | (2)           | (3)            | (4)            |
|--|----------------|---------------|----------------|----------------|
| <b>Panel A: Switzerland</b>                  |                |               |                |                |
| <b>1970–2018</b>                             |                |               |                |                |
| House prices                                 | -0.05 (0.10)   |               | -0.05 (0.10)   | -0.07 (0.11)   |
| Share prices                                 |                | 0.04 (0.03)   | 0.04 (0.03)    | 0.02 (0.06)    |
| MSCI world                                   |                |               |                | 0.03 (0.07)    |
| Constant                                     | 1.00* (0.56)   | 0.74 (0.55)   | 0.84 (0.58)    | 0.84 (0.58)    |
| Adj. R <sup>2</sup>                          | -0.017         | 0.011         | -0.011         | -0.029         |
| Obs.   | 48             | 49            | 48             | 48             |
| <b>1990–2018</b>                             |                |               |                |                |
| House prices                                 | 0.34* (0.18)   |               | 0.35* (0.18)   | 0.28 (0.19)    |
| Share prices                                 |                | 0.05 (0.05)   | 0.05 (0.05)    | -0.04 (0.08)   |
| MSCI world                                   |                |               |                | 0.14 (0.11)    |
| Constant                                     | 1.00 (0.74)    | 0.70 (0.83)   | 0.67 (0.79)    | 0.77 (0.78)    |
| Adj. R <sup>2</sup>                          | 0.080          | -0.004        | 0.092          | 0.116          |
| Obs.   | 29             | 29            | 29             | 29             |
| <b>Panel B: Multi-Country Panel Analysis</b> |                |               |                |                |
| <b>1970–2018</b>                             |                |               |                |                |
| House prices                                 | 0.22*** (0.03) |               | 0.24*** (0.03) | 0.24*** (0.03) |
| Share prices                                 |                | 0.03** (0.02) | 0.03* (0.02)   | 0.03* (0.02)   |
| MSCI world                                   |                |               |                | 1.00 (0.77)    |
| Adj. R <sup>2</sup>                          | 0.153          | 0.075         | 0.176          | 0.176          |
| Obs.   | 485            | 471           | 471            | 471            |
| <b>1990–2018</b>                             |                |               |                |                |
| House prices                                 | 0.31*** (0.05) |               | 0.31*** (0.05) | 0.31*** (0.05) |
| Share prices                                 |                | -0.01 (0.03)  | -0.01 (0.02)   | -0.01 (0.02)   |
| MSCI world                                   |                |               |                | -0.31 (0.23)   |
| Adj. R <sup>2</sup>                          | 0.217          | 0.098         | 0.215          | 0.215          |
| Obs.   | 306            | 306           | 306            | 306            |

*Note:* The table shows results for OLS regressions of changes in wealth-income ratios on changes in real house prices (Column 1), changes in real share prices (Column 2) and both (Column 3). Column (4) further includes the global MSCI world share price index as a control. Top Panel A shows the results for Switzerland. We show results for the whole period 1970–1918, for which data is available, as well as for the sub-period 1990–2018. Bottom Panel B shows the results of panel regressions including 12 countries. See Figure B15 for details on data availability by country. All specifications in Panel B include year and country fixed effects. Table B7 shows alternative specifications without fixed effects. We use house price (see appendix A.10) and share price indices (see appendix A.11) as published by the OECD in September 2020. Residuals in all models are stationary. Standard errors shown in parentheses, next to coefficients. \*  $p < .1$ , \*\*  $p < .05$ , \*\*\*  $p < .01$ .

associated with a 0.34 percentage point increase in the wealth income ratio. Statistical significance, however, remains weak, as limiting the period of analysis also reduces the number of observations. The finding is robust to simultaneously controlling for stock price changes, but also including changes in the MSCI world index leads to insignificant results.

Turning to the panel analysis including all countries (bottom panel of Table 3), alleviates the small  $N$  problem. Across all specifications we find that a one percentage point increase in real housing prices is associated with a 0.22–0.24 percentage point increase in wealth income ratios. Again this correlation increases to 0.31 percentage points in the more recent period since 1990. These findings suggests that rising housing prices are related to rising wealth-income ratios across many countries.

While the panel regressions are in line with findings for Switzerland, they mask some heterogeneity across countries. In Figure 11 we show the coefficients from regressions by country for the 1990–2018 period, corresponding to Column (3) in Table 3.

While the effect seems to be particularly large in Norway (0.59 pp), France (0.44 pp), the U.S. (0.43 pp), and Spain (0.39 pp), we find no effect in Germany, Sweden, Japan, Canada and Australia. Results for Japan are significant only when we include the 1970–1990 period—which covers the large housing and stock market bubble of the late 1980s. We take this as evidence that asset price effects become main drivers for the aggregate wealth-income ratio in periods of rapid price changes. Although this is a simple model, it explains around 70% of the variation in wealth-income ratios in the period after 1990 in Spain and France, suggesting that real estate prices play a crucial role in the evolution of the wealth-income ratios.

Share prices seem to be important in all English-speaking countries except Canada. The U.S. stands out as the country where both, share prices as well as real estate prices seem to be strongly related to changes in the wealth-income ratio. Together these variables explain 80% in the observed variation. In Norway, interestingly, increases in share prices are related to negative changes in the wealth-income ratio.<sup>21</sup> Overall these results suggest that capital gains in housing have become an important driver of the increasing wealth-income ratio—both in Switzerland and other developed economies.

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<sup>21</sup>This could be due to the oil industry: if during booms, not only share prices of petrol companies but so do incomes earned in these companies located in Norway go up, the wealth-income ratio might fall.

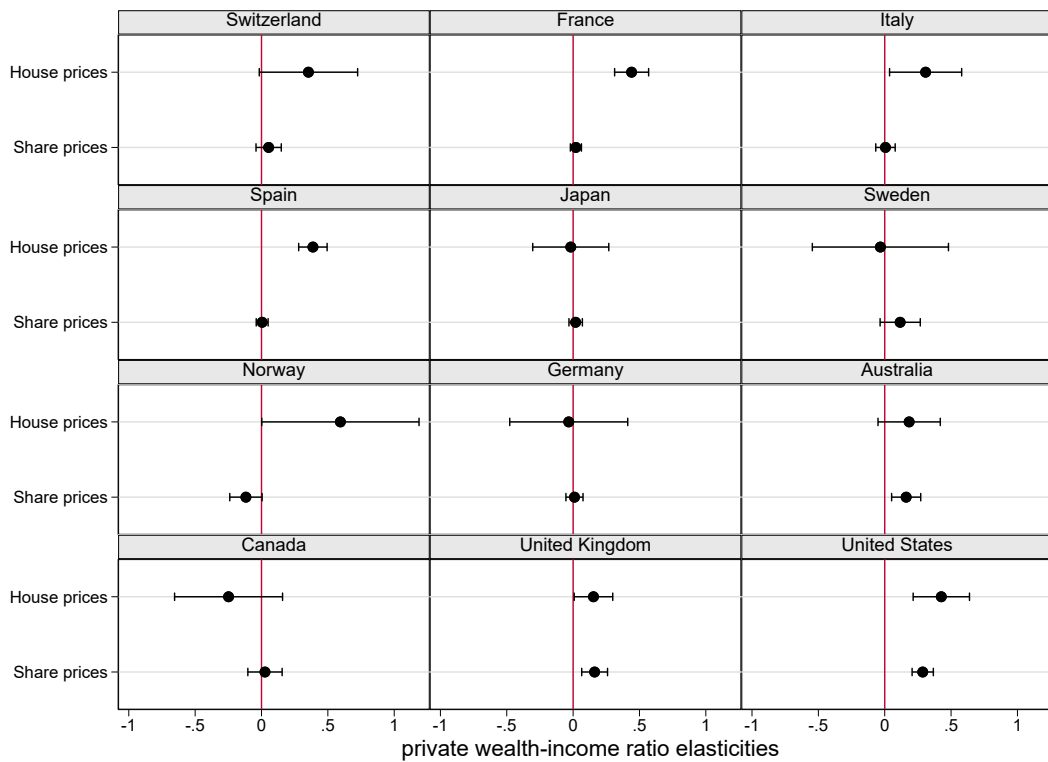


Figure 11: Regression Coefficients for Real Housing and Share Price Changes, 1990–2018

*Note:* The figure displays the coefficients along with the 95% confidence intervals from the regression of annual changes in the wealth-income ratio on annual changes of real housing prices and real share prices by country for the period 1990–2018. The model corresponds to Column (3) in Table 3. The full set of results by country is reported in Tables B8 and B9 in the appendix.

## 8 Conclusion

In this paper we revise earlier estimates of the wealth-income ratio in Switzerland presented in Brülhart et al. (2018). Drawing on private wealth estimates provided by the Swiss National Bank and Schmid (2013), we show that total private wealth was likely higher than previously assumed. We find that Swiss private wealth-income ratios have been particularly stable over the past century in comparison to other countries. After WWI,  $\beta_{pt}$  oscillated around 500% until the eve of the Great Recession. This finding of a very stable long-run evolution of the private wealth-income ratio is in line with earlier results of Föllmi and Martínez (2017) on the stable evolution of top wealth shares in Switzerland over the course of the 20th century.

Results by Piketty and Zucman (2014) show that recent wealth-income ratios in Old Europe (particularly in France and the United Kingdom) have almost returned to their high levels of the early 20th century. While Piketty and Zucman (2014) conclude that in Europe,  $\beta_{pt}$  has followed a pronounced U-shaped pattern over the 20th century, we show that the evolution in Switzerland is better described by a J-shaped pattern: a stable evolution over the 20th century, followed by a very steep increase in the private wealth-income ratio in recent years. Switzerland therefore resembles the evolution in Spain, where the marked rise in  $\beta_{pt}$  has been driven by real-estate bubbles (Artola Blanco et al., 2020).

Finally, we shed light on the role of house price developments for the total private wealth-income ratio. We find that house price appreciation is systematically correlated to wealth-income ratios: a one percent increase in real house prices is associated with a 0.31 percent increase in private wealth-income ratios. While the effect is rather weak in Switzerland, it is particularly strong in Norway, France, the U.S., and Spain. If real estate prices continue to rise due to scarcity of housing, as some scholars fear, we are likely to see further hikes in wealth-income ratios.

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## A Data Appendix

In this section we provide the comprehensive description of all data sources used in our analysis. We explain the data by category from the most recent years to the past, as some series are constructed by backward interpolation.

### A.1 Private Wealth ( $W_{pt}$ )

For the years 2000–2018 official and reliable data of aggregate private wealth at market value are provided by the SNB in the context of the Swiss financial account.<sup>22</sup>

For the period 2000–2018 private wealth can be split up into three main components: financial assets  $F_{pt}$ , financial liabilities  $L_{pt}$  and non-financial assets  $K_{pt}$ . The position financial assets particularly consist of currency and transferable deposits, debt securities (short-term, long-term and structured products), shares and other equity, units in collective investment schemes as well as insurance and pension schemes. The stock of liabilities  $L_{pt}$  is composed of mortgages, loans and other accounts payable.

For private non-financial assets  $K_{pt}$  the SNB only reports estimates on housing wealth  $H_{pt}$ . To best of our knowledge no estimates on the value of agricultural land and  $A_{pt}$  and other domestic capital  $D_{pt}$  exist for Switzerland. Therefore, in our analysis private non-financial assets consist only of housing wealth ( $K_{pt} = H_{pt}$ ), which implies that  $A_{pt} = D_{pt} = 0$ .<sup>23</sup>

For the years prior to 2000 no official statistics on the value of net private wealth for Switzerland exist. For the period 1981–1999 we use the aggregate net private wealth estimates submitted by Schmid (2013), who could rely on SNB internal data, which are partly gathered numbers from hardcopy prints of the relevant statistics and are not publicly available.<sup>24</sup> Since the estimates of Schmid (2013) follow the estimation techniques of the SNB we consider this estimates to be relatively reliable.

For the years prior to 1981 we follow an alternative approach which clearly deviates from the methodology used by Piketty and Zucman (2014) and suggested by Alvaredo et al. (2017), since we are not able to observe the wealth stock for

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<sup>22</sup>See <https://data.snb.ch/en/publishingSet/FIN>

<sup>23</sup>For the countries with which we compare our results all three components ( $H_{pt}$ ,  $A_{pt}$ ,  $D_{pt}$ ) of  $K_{pt}$  are available on WID.world. We have excluded  $A_{pt}$  and  $D_{pt}$  for the comparison countries in Section 6, but included  $A_{pt}$  and  $D_{pt}$  in Section 5. This decision is set out in the Appendix B.2 (see in particular Fig. B12 and Fig. B13).

<sup>24</sup>Data received on email request: [frank.schmid@sif.admin.ch](mailto:frank.schmid@sif.admin.ch) We are very grateful to Frank Schmid for sharing his data with us.



Switzerland at market value any more. In order to provide an estimate of total private net wealth, we draw on historical tax and pension wealth data and follow an approach similar to Brülhart et al. (2018).

The primary sources we use to construct our net private wealth series are the wealth estimates based on tax data provided by Dell et al. (2007).<sup>25</sup> Their estimates cover 22 years between 1913 and 1997. We linearly interpolated the missing years of this period. To extend private wealth estimates back to 1900 we used additional tax data for the years 1900 and 1910 based on the assumption that taxable wealth represented 80% of taxable capital.<sup>26</sup> The missing years are in turn interpolated linearly, which leads to a tax wealth series covering the period 1900–1997.

Estimating net private wealth based on Swiss wealth tax data has two main drawbacks. First pension wealth is not covered at all in tax data and secondly the tax value of real estate is underestimating the true market value (Brülhart et al., 2018).

To account for the first issue we use estimates of pension fund assets to correct the private wealth series based on tax data. For this purpose, we could rely on the historical estimates of total pension fund assets as reported by Leimgruber (2008). The estimates of Leimgruber (2008) cover 13 years between 1922 and 2004. We linearly interpolated this estimates for the missing years. In 1922 total pension wealth was only 200 million nominal Swiss francs. Since there exist no older observations, we assume that the pension assets before 1922 are 0.

From the sources outlined we have two linearly interpolated series for tax wealth (1900–1997) and pension wealth (1900–2004). To estimate a long run series of total net private wealth we proceed as follows. First we add up these two linearly interpolated series. To address the second issue—the undervaluation of housing wealth in tax data—we do not use the absolute nominal value of the combined series of tax private wealth (including an optional mark-up) and pension wealth. Instead we calculate the growth rate of this combined series. By applying this growth rate to last market value observation of private wealth recorded by Schmid (2013) in 1981, we estimate private wealth back to the year 1900. Prior to 1981, we only display estimates of net private wealth for years in which we have an actual

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<sup>25</sup>This data can be found in their paper in table 11.3 column 2.

<sup>26</sup>The data is obtained from the 'Statistisches Jahrbuch der Schweiz 1920' (p. 395). The assumption that taxable wealth represents 80% of taxable capital is derived by comparing the two observations of taxable capital from 1913 (81%) and 1919 (79%) with the observations reported by Dell et al. (2007).

observations from tax data (see e.g. Fig. 1).

Our estimation approach relies on the assumption that changes in taxable wealth (including private pension wealth) correspond well to changes in total private wealth at market value. To verify this assumption we compare the growth rates in total private wealth at market value (as provided by the SNB) with the growth rate of taxable wealth (including pension wealth) for the period 2003–2016, where annual data for both series exist.<sup>27</sup> Figure B4 shows the annual percentage change in private wealth at market value and taxable wealth (including pension wealth) for the period 2003–2016. Growth rates track each other extremely well including in the years around the outbreak of the Great Recession in 2008, which are characterized by large changes from year to year. We are therefore confident that our method is valid to estimate total private wealth at market value over time.

## A.2 Public Wealth ( $W_{gt}$ )

Data on public gross financial wealth, public gross non-financial wealth, public gross debt and thus public net wealth  $W_{gt}$  can be obtained for the period 1990–2018 from the GFS-Model of the Federal Finance Administration.<sup>28</sup> With the GFS-Model international comparability of the Swiss data is ensured, since the financial statistic standard of the International Monetary Fund (IMF) is applied, which is in turn compatible with the ESA-2010.

In the non-financial assets time series at the federal-level a significant one-time shift occurs. From 2006 to 2008 non-financial assets increased from 41.1 to 84.6 billions Swiss francs (see Fig. B14). This level shift is due to a break in the series in 2008, where accounting followed the new FS-Model. The Federal Finance Administration notes itself that the new standards introduced in 2008 restricts comparability with the figures in the national FS-Model from earlier years. Since the GFS-Model is based on the FS-Model, statistical inaccuracies cannot be ruled out.<sup>29</sup>

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<sup>27</sup>For taxable wealth, we use data from the Swiss wealth statistics for natural persons published annually between 2003 and 2016 by the Swiss Federal Tax Administration (see <https://www.estv.admin.ch/estv/de/home/allgemein/steuerstatistiken/fachinformationen/steuerstatistiken/gesamtschweizerische-vermoegensstatistik-der-natuerlichen-person.html>). For pension wealth we use the data provided by the SNB. Note that the results shown in Figure B4 are not driven by the inclusion of the pension wealth data. The omission of the pension wealth would only marginally reduces the correlation from 0.91 to 0.88.

<sup>28</sup>See <https://www.bfs.admin.ch/bfs/en/home/statistics/general-government-finance/financial-situation/gfs-model-international-IMF.html>

<sup>29</sup><https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/methoden.html> (published on 13.04.2016).

We corrected for this brake in the series by applying the average growth rate of non-financial assets at the federal level (computed based on the years 1997–2006 and 2009–2018) for the two years 2007 and 2008. This adjustment is shown graphically in Figure B14. This leads to a more steady and plausible evolution of public non-financial assets. Note that this correction not only affects non-financial assets but also total net public wealth. Thus, since national wealth is the sum of private and public wealth this correction also slightly changes the value of national wealth.

### A.3 National Wealth ( $W_{nt}$ ) and Net Foreign Wealth ( $NFA_{nt}$ )

Because the market-value of national wealth  $W_{nt}$  is simply the sum of private and public wealth, no additional data is needed to construct a national wealth series. Equation (3) shows that national wealth can be decompose into domestic capital  $K_{nt}$  and net foreign wealth  $NFA_{nt}$ .

For the period 2000–2018 net foreign wealth is published by the SNB as part of the Swiss balance of payments.<sup>30</sup> For the years 1995–1999 net foreign wealth can be obtained from published reports of the SNB. Observations on net foreign wealth for 1998 and 1999 are obtained from the publication 'Switzerland's International Investment Position 2000'.<sup>31</sup> For the years 1995–1997 we use net foreign wealth as reported in the 'Monthly Statistical Bulletin January 2000'.<sup>32</sup>

### A.4 Net National Income ( $Y_t$ )

For the years 1995–2018 we use net national income as published by the FSO as part of the Swiss national accounts (B5n, S1).<sup>33</sup> These are the best data available, since they are fully compatible with the SNA-2008 and can therefore be compared internationally. We used growth rates of similar historical income data to calculate net national income back until 1900. In case of overlaps in the data we always prefer to calculate the growth rates based on national income at market prices. For the period 1990–1994 we use the growth rates of national income at factor cost ("Volkseinkommen") that can be found in table Q.5. from the HSSO-database.<sup>34</sup>

<sup>30</sup>See <https://data.snb.ch/en/topics/aube#!/cube/auvekoma>

<sup>31</sup>See [https://www.snb.ch/en/iabout/stat/statrep/id/statpub\\_bopiip\\_all#t4](https://www.snb.ch/en/iabout/stat/statrep/id/statpub_bopiip_all#t4); only available in French or German.

<sup>32</sup>See [https://www.snb.ch/de/iabout/stat/statrep/statpubdis/id/statpub\\_statmon\\_arch#t2](https://www.snb.ch/de/iabout/stat/statrep/statpubdis/id/statpub_statmon_arch#t2); only available in French or German.

<sup>33</sup>See <https://www.bfs.admin.ch/bfs/en/home/statistics/national-economy/national-accounts/sequence.html>

<sup>34</sup>See <https://hssso.ch>

For the years 1948–1989 we use growth rates of net national income that are also available at the HSSO-database in table Q.6a. For the period 1929–1947 there exist again data of national income at factor cost at the HSSO-database in table Q.4a. For the years 1900–1929 we had to resort on historical nominal GDP data estimated by Stohr (2016).<sup>35</sup>

## A.5 Population ( $N_t$ )

Data on Switzerland’s total population are available from the FSO for the period 1861–2018.<sup>36</sup> The balance of the permanent resident population is composed of different statistical sources by the FSO. Although the individual data sources change over time, this long run population series is the most reliable data available.

The population data in WID.world corresponds to the population of a country on the 1st July of the year indicated (Blanchet and Chancel, 2016). For Switzerland, no such data exists. We therefore used the average of the total population between January 1st and December 31st of the year in question. This ensures comparability across countries.

## A.6 Price Index

Sometimes we show the absolute value of wealth at constant prices, rather than wealth-income ratios. To deflate the nominal wealth or national income series we use a composed consumer price index (CPI). Switzerland’s CPI can be obtained for the period 1914–2018 from the FSO.<sup>37</sup> To prolong this series back to 1900, we used CPI data available on the HSSO-database in table H.17.<sup>38</sup>

## A.7 Savings and Savings Rates ( $s_t$ )

The net savings flows can be directly obtained from the Swiss national accounts<sup>39</sup> Net saving rates are then calculated by dividing the corresponding net savings flow by net national income (B.5\*n, S1). The following net savings rates are computed:

- non-financial corporate savings = (B.8n, S11)/(B.5\*n, S1)
- financial corporate savings = (B.8n, S12)/(B.5\*n, S1)

<sup>35</sup>Data received on email request: [christian.stohr@unige.ch](mailto:christian.stohr@unige.ch). We are very grateful to Christian Stohr for sharing his data with us.

<sup>36</sup>See <https://www.bfs.admin.ch/bfs/en/home/statistics/catalogues-databases/tables.assetdetail.9486043.html>

<sup>37</sup>See <https://www.bfs.admin.ch/bfs/en/home/statistics/prices/consumer-price-index.html>

<sup>38</sup>See <https://hssso.ch>

<sup>39</sup>See <https://www.bfs.admin.ch/bfs/en/home/statistics/national-economy/national-accounts/sequence.html>

- corporate savings = non-financial + financial corporate savings
- household savings = (B.8n, S14)/(B.5\*n, S1)
- private savings = corporate savings + household savings
- public savings = (B.8n, S13)/(B.5\*n, S1)
- national savings = private savings + public savings = (B.8n, S1)/(B.5\*n, S1)

## A.8 World Inequality Database

Most international data we show in this paper can be obtained directly from the World Inequality Database (WID.world).<sup>40</sup> The series for Australia, Canada, France, Germany, Italy, Japan, the U.K. and the U.S. are based on Piketty and Zucman (2014), from Artola Blanco et al. (2020) for Spain and from Waldenström (2017) for Sweden. All these have been updated and are available for download from WID.world. The corresponding data for Norway are WID.world estimates.

Further note that for the countries other than Switzerland all three subcomponents of  $K_{pt}$  ( $H_{pt}$ ,  $A_{pt}$ ,  $D_{pt}$ ) are available. We refer to the remarks in appendix B.2 to comprehend which adjustments we made to ensure that the international data is as comparable as possible with Switzerland.

## A.9 Savings and Capital Gains in Private Wealth

In Section 7, we split the newly accrued accumulation of net national respectively private wealth (and it's two main subcomponents non-housing wealth (i.e., net financial wealth including pension wealth) and gross housing wealth) into a savings and capital gains component. This section outlines the methodological procedure and the additional sources used.

For the decomposition of national wealth shown in Table 1 we use Equation (9). The only unknown variable in Equation (9) is the rate of capital gain or loss  $q_t$ , which is simply calculated as residual. The data sources for the other variables  $\beta_{nt}$ ,  $g_{st}^w$  and  $g_{st}^w$  variables are outlined in corresponding sections in Appendix A. For the national wealth-income  $\beta_{nt} = \frac{W_{nt}}{Y_t}$  they can be found in A.3 for  $W_{nt}$  and in A.4 for  $Y_t$ . To compute the savings-induced wealth growth rate  $g_{st}^w = \frac{s_t}{\beta_{nt}}$  one needs additional data on national savings as set out in A.7. The data sources of the growth rate of national income  $g_t$  are described in A.4.

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<sup>40</sup>see <https://wid.world>

The decomposition of net private wealth and its subcomponents housing wealth and non-housing wealth as shown in Table 2 is conducted as follows. By using Equation 7 the level decomposition of the year to year change in net private wealth is straightforward. By deducting the net savings flow of private households<sup>41</sup> (source outlined in A.7) from the year to year change in net private wealth (source of private wealth and its subcomponents are outlined in A.1) one immediately obtains the capital gains or loss flow  $KG_t$  of net private wealth.

For the analysis conducted in Section 7 we split net private wealth into two subcomponents non-housing wealth (i.e., net financial wealth including pensions wealth,  $F_{pt} - L_{pt}$ ) and gross housing wealth  $H_{pt}$ . Since we observe the stock at market value of both subcomponents every year since 2000, we can compute the year to year change in levels. To further split the changes of both subcomponents into savings and capital gains part, we use additional data provided by the SNB in the context of the Swiss financial accounts.<sup>42</sup> For the year to year change in the stock of total net financial wealth the SNB provides detailed information and decomposes the changes into financial transactions (i.e savings), capital gains and losses and statistical changes and reclassifications. Unfortunately, statistical changes and reclassifications are not insignificant and renders a clear assignment to one of the two components of interest somewhat difficult. However, around half (in absolute value) of the statistical changes and reclassifications are due to changes in pension wealth caused by emigrants who leave Switzerland with their pension assets. Since we are interested in net private wealth held by Swiss

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<sup>41</sup> Following Piketty and Zucman (2014) we carried out the decomposition with two different savings concepts, namely the net saving rate of private households and the net private saving rate (i.e., the net saving rate of private households including retained earnings of corporations). Table 2 provides the results using the households savings rate and Table B6 shows the results using the net private savings rate. It is not a priori clear which savings rate should be used, as both concepts have their own drawbacks (for a detailed discussion see Piketty and Zucman (2013)). By excluding retained corporate earnings capital gains mechanically increase as the savings rate is lower. However, if companies retain their profits to finance new investments and new acquisitions (leading to rising share prices), this is not a real relative price effect, but rather a savings effect (Piketty and Zucman, 2013). On the other hand, if the net private savings rate is used, all retained earnings of Swiss corporations are attributed to the domestic household sector, which in turn might be problematic. Firstly, a part of the retained profits belonging to foreign shareholders will be attributed to domestic shareholders (the same applies vice versa). Furthermore, at least part of the retained earnings of domestic companies should be assigned to the government sector (Piketty and Zucman, 2013). Note that in Switzerland retained corporate profits account for less than 20% of total private net savings, which is a small share in international comparison (see Tab. B2). Nevertheless, the results differ depending on the savings concept used when decomposing the real private growth rate. Due to the methodology used (which is determined by data availability), the differences occur in the capital gains of the housing wealth rather than in the non-housing wealth component (as the housing wealth components are estimated as residuals). The reason why we prefer the decomposition based on the household saving rate is that otherwise there would be no capital gains in housing wealth over the period 2000-2010, which is rather inconsistent with the evolution of Swiss real estate price indices over this period (see Fig. 8). Note in particular that in the 2010-2018 sub-period (in which the fast increase in the private wealth-income ratio takes place) both decompositions yield virtually identical results.

<sup>42</sup>See <https://data.snb.ch/en/publishingSet/FIN>

residents, this outflow represents negative savings. We thus deduct this part of statistical reclassification from the households savings. For the remaining part of the statistical changes and reclassifications no entirely clear allocation between savings and capital gains can be achieved. However, in order for the flows to correctly reflect the change in the stock of net financial wealth, we have included the remaining statistical changes in the capital gains component.<sup>43</sup>

The decomposition of housing wealth  $H_{pt}$  into savings and capital gains part is in turn straightforward. Since savings and capital gains of the two subcomponents must reflect the changes of total private net wealth at the macroeconomic level, the savings and capital gains part of housing wealth are estimated as residuals. Such that the savings (capital gains) of non-housing wealth and housing wealth add up to the savings (capital gains) of net private wealth.

### **A.10 Real Estate Price Index Data**

We use real estate price index data as published by the OECD in September 2020.<sup>44</sup> As we are interested in determining the influence of changes in real estate prices on changes in the wealth-income ratio (which is a real variable), we deflate the nominal house price index using CPI data from OCED.<sup>45</sup>

The data are graphically represented for all countries separately in Figure 8 and B10 in levels and in Figure B15 as annual changes.

### **A.11 Stock Market Index Data**

As with real estate prices, we use the same method for share prices. For all countries in our analysis we use the stock price index data as published by the OECD in September 2020.<sup>46</sup> In addition to the share price data from the individual countries, we take into account the international price development on stock markets with the MSCI World Index.<sup>47</sup>

Again, we deflate all share price time series with CPI data because we are interested in real changes (see Footnote 45). As the MSCI World Index is measured in USD, we use the CPI of the United States for deflation. The data are graphically

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<sup>43</sup>This is justified by the fact that the capital gains, which are estimated as a residual, include all sorts of measurement errors anyway. These estimates are subject to revision when better data sources become available. However, the order of magnitude appears to be clear.

<sup>44</sup>See <https://data.oecd.org/price/housing-prices.htm>

<sup>45</sup>See <https://data.oecd.org/price/inflation-cpi.htm>

<sup>46</sup>See <https://data.oecd.org/price/share-prices.htm>

<sup>47</sup>See <https://www.msci.com/end-of-day-data-search>

represented for all countries separately in Figure 8 and B10 in levels and in Figure B15 as annual changes.



## B Additional Tables and Figures

### B.1 Additional Tables

Table B1: Structure of National Savings in Switzerland, 1995–2018

|           | Net private saving<br>(household & cor-<br>porate) (%) | Net<br>hold<br>(%) | house-<br>saving | Net<br>saving (retained<br>earnings) (%) | Net<br>public<br>saving (%) | Net national<br>saving (%) |
|-----------|--|--------------------|------------------|--|-----------------------------|----------------------------|
| 1995–2018 | 14.1   |                    | 12.3             | 1.8                                      | 1.6                         | 15.7                       |
| 1995–2002 | 14.0   |                    | 10.8             | 3.3                                      | 0.5                         | 14.6                       |
| 2002–2010 | 14.7   |                    | 11.4             | 3.3                                      | 1.7                         | 16.4                       |
| 2010–2018 | 13.7   |                    | 14.0             | -0.3                                     | 2.2                         | 15.9                       |

*Note:* All average saving rates are obtained by weighting yearly saving rates by real national income. Net private savings are the sum of household and corporate savings. Net national savings are in turn the sum of private and public savings. Detailed information on savings data for Switzerland can be found in appendix A.7.

Table B2: Structure of National Savings in International Comparison

|                           | Net private saving<br>(household & cor-<br>porate) (%) | Net<br>hold<br>(%) | house-<br>saving | Net<br>saving (retained<br>earnings) (%) | Net<br>public<br>saving (%) | Net national<br>saving (%) |
|---------------------------|--|--------------------|------------------|--|-----------------------------|----------------------------|
| Switzerland (1995–2015)   | 14.6   |                    | 11.9             | 2.6                                      | 1.4                         | 16.0                       |
| Germany (1995–2013)       | 11.2   |                    | 6.3              | 4.8                                      | -3.0                        | 8.2                        |
| France (1995–2010)        | 11.1   |                    | 8.5              | 2.6                                      | -3.1                        | 8.0                        |
| Italy (1995–2014)         | 8.4  |                    | 6.4              | 2.0                                      | -3.8                        | 4.7                        |
| Sweden (1995–2015)        | 16.1   |                    | 7.4              | 8.7                                      | 2.6                         | 18.7                       |
| United States (1995–2013) | 7.9  |                    | 4.3              | 3.6                                      | -4.8                        | 3.1                        |

*Note:* Saving rates are calculated for different time periods as savings data for certain countries are not available for the entire period: Switzerland 1995–2015; Germany 1995–2013; France 1995–2010; Italy 1995–2014; Sweden 1995–2015; United States 1995–2013. All average saving rates are obtained by weighting yearly saving rates by real national income. Net private savings are the sum of household and corporate savings. Net national savings are in turn the sum of private and public savings. Detailed information on savings data for Switzerland can be found in appendix A.7. The results for the other countries are own calculations based on updated data which are available for download from <https://wid.world>. The original data for Germany, France, Italy and the United States are taken from Piketty and Zucman (2014) and for Sweden from Waldenström (2017).

Table B3: Growth and Saving Rates, 1995–2015

|               | Real growth rate of national income (%) | Population growth rate (%) | Real growth rate of per capita national income (%) | Net national saving (%)* | $\Delta \beta_{nt}$ |
|---------------|---|----------------------------|--|--------------------------|---------------------|
| Switzerland   | 1.86                                    | 0.82                       | 1.04   | 16.0                     | + 173 pp.           |
| Germany       | 1.38                                    | 0.05                       | 1.33   | 8.2                      | + 58 pp.            |
| France        | 1.49                                    | 0.53                       | 0.96   | 8.0                      | + 219 pp.           |
| Italy         | 0.31                                    | 0.35                       | -0.04  | 4.7                      | + 131 pp.           |
| Sweden        | 3.03                                    | 0.55                       | 2.48   | 18.7                     | + 276 pp.           |
| United States | 2.42                                    | 0.94                       | 1.48   | 3.1                      | + 63 pp.            |

*Note:* This table displays the real growth rates of national income, which can be decomposed into population and per capita income growth. All growth rates are geometric averages over the period 1995–2015. Except for net national saving rates\* which are calculated for different time periods as savings data for certain countries are not available for the entire period: Switzerland 1995–2015; Germany 1995–2013; France 1995–2010; Italy 1995–2014; Sweden 1995–2015; United States 1995–2013. The average saving rates are obtained by weighting yearly saving rates by real national income. The last column shows the change in percentage points (pp.) of the national wealth-income ratio  $\beta_{nt}$  over the period 1995–2015. Detailed information on the data for Switzerland can be found in the corresponding subsections in Appendix A. The results for the other countries are own calculations based on updated data which are available for download from <https://wid.world>. The original data for Germany, France, Italy and the United States are taken from Piketty and Zucman (2014) and for Sweden from Waldenström (2017).

Table B4: The Accumulation of National Wealth, 1995–2013

|               | National wealth-income ratios (%) |                 | Decomposition of the wealth growth rate (%) |   |  |
|---------------|-----------------------------------|-----------------|---|---|--|
|               | $\beta_{n,t}$                     | $\beta_{n,t+n}$ | Real growth rate of national wealth $g_w$   | Savings-induced wealth growth rate $g_{ws} = \frac{s}{\beta_n}$ | Capital gains induced wealth growth rate $q$ |
| Switzerland   | 504%                              | 644%            | 3.2%  | 2.9%  | 0.3%   |
|               |                                   |                 |   | 90%   | 10%  |
| Germany       | 342%                              | 388%            | 2.1%  | 2.2%  | -0.1%  |
|               |                                   |                 |   | 106%  | -6%  |
| Italy         | 379%                              | 544%            | 2.3%  | 1.2%  | 1.1%   |
|               |                                   |                 |   | 52%   | 48%  |
| Sweden        | 233%                              | 475%            | 6.9%  | 5.4%  | 1.5%   |
|               |                                   |                 |   | 78%   | 22%  |
| United States | 350%                              | 384%            | 2.9%  | 0.8%  | 2.1%   |
|               |                                   |                 |   | 28%   | 72%  |

*Note:* This table displays changes in national wealth  $W_{nt}$  for the indicated countries between 1995 and 2013. The first two columns indicate the level of the national wealth-income ratio  $\beta_{nt}$  in 1995 respectively 2013. The third column shows the average real growth rate of national wealth  $g_w$ . With the formula in equation (9) it is possible to decompose the real growth rate of national wealth  $g_w$  into two multiplicative components. Where one part of the national wealth growth rate is savings-induced  $g_s^w$  and the other part are capital gains or losses  $q$ . All growth rates are geometric averages. Detailed information on the data for Switzerland can be found in the corresponding subsections in Appendix A. The results for the other countries are own calculations based on updated data which are available for download from <https://wid.world>. The original data for Germany, France, Italy and the United States are taken from Piketty and Zucman (2014) and for Sweden from Waldenström (2017).

Table B5: The Accumulation of National Wealth in Switzerland, 2000–2018

|                  | Wealth-income ratios (%) |               | Decomposition of the real wealth growth rate (%) |                                    |  |
|------------------|--------------------------|---------------|--|------------------------------------|--|
|                  | $\beta_t$                | $\beta_{t+n}$ | Real growth rate of wealth                       | Savings-induced wealth growth rate | Capital gains induced wealth growth rate |
|                  |                          |               | $g_w$  | $g_{ws} = s/\beta$                 | $q$                                      |
| <b>2000–2018</b> |                          |               |  |                                    |  |
| National Wealth  | 551%                     | 742%          | 3.1%   | 2.7%                               | 0.3%                                     |
|                  |                          |               |  | 89                                 | 11                                       |
| Public Wealth    | 25%                      | 55%           | 5.8%   | 6.7%                               | -0.9%                                    |
|                  |                          |               |  | 115                                | -15                                      |
| Private Wealth   | 526%                     | 687%          | 2.9%   | 2.2%                               | 0.7%                                     |
|                  |                          |               |  | 76                                 | 24                                       |
| <b>2000–2010</b> |                          |               |  |                                    |  |
| National Wealth  | 551%                     | 542%          | 1.6%   | 2.9%                               | -1.3%                                    |
|                  |                          |               |  | 177                                | -77                                      |
| Public Wealth    | 25%                      | 25%           | 1.5%   | 7.3%                               | -5.7%                                    |
|                  |                          |               |  | 475                                | -375                                     |
| Private Wealth   | 526%                     | 517%          | 1.6%   | 2.1%                               | -0.5%                                    |
|                  |                          |               |  | 130                                | -30                                      |
| <b>2010–2018</b> |                          |               |  |                                    |  |
| National Wealth  | 542%                     | 742%          | 4.9%   | 2.5%                               | 2.4%                                     |
|                  |                          |               |  | 52                                 | 48                                       |
| Public Wealth    | 25%                      | 55%           | 11.4%  | 6.0%                               | 5.4%                                     |
|                  |                          |               |  | 53                                 | 47                                       |
| Private Wealth   | 517%                     | 687%          | 4.5%   | 2.3%                               | 2.2%                                     |
|                  |                          |               |  | 51                                 | 49                                       |

*Note:* This table displays the changes in national wealth  $W_{n,t}$  and its two main subcomponents —net private wealth,  $W_{p,t}$ , and net public wealth  $W_{g,t}$ —between 2000 and 2018. The first two columns indicate the level of the different wealth-income ratios  $\beta_{n,t}$ ,  $\beta_{p,t}$  and  $\beta_{g,t}$  respectively for the corresponding periods. The third column shows the average real growth rate  $g_w$  of the respective wealth components over the different time periods. With the formula in Equation (9) it is possible to decompose the real wealth growth rate  $g_w$  into two multiplicative components. Where one part of the wealth growth rate is savings-induced  $g_s^w$  and the other part are capital gains or losses  $q$ . The small numbers below the growth rates in columns 5 and 6 indicate the share in the total average real growth rate  $g_w$ . Note that the saving rate used in the above decomposition for the private wealth component is the net saving rate of private households. The results of the same decomposition using the net private saving rate (including retained earnings of corporations) is shown in Table B6 (see in this context also Footnote 41). All growth rates are geometric averages. Detailed information on the data used can be found in the corresponding subsections in Appendix A.

Table B6: The Accumulation of Private Wealth in Switzerland, 2000–2018

|                      | Private wealth-income ratios (%) |                 | Decomposition of the private wealth growth rate (%) |                                    |  |
|----------------------|----------------------------------|-----------------|---|------------------------------------|--|
|                      | $\beta_{p,t}$                    | $\beta_{p,t+n}$ | Real growth rate of national wealth                 | Savings-induced wealth growth rate | Capital gains induced wealth growth rate |
|                      | $\beta_{p,t}$                    | $\beta_{p,t+n}$ | $g_w$   | $g_{ws} = s/\beta_p$               | $q$                                      |
| <b>2000–2018</b>     |                                  |                 |   |                                    |  |
| Total Private Wealth | 526%                             | 687%            | 2.9%  | 2.5%                               | 0.4%                                     |
|                      |                                  |                 |   | 87                                 | 13                                       |
| Housing Wealth       | 248%                             | 380%            | 3.8%  | 2.8%                               | 1.0%                                     |
|                      |                                  |                 |   | 74                                 | 26                                       |
| Non-Housing Wealth   | 278%                             | 307%            | 1.9%  | 2.2%                               | -0.3%                                    |
|                      |                                  |                 |   | 113                                | -13                                      |
| <b>2000–2010</b>     |                                  |                 |   |                                    |  |
| Total Private Wealth | 526%                             | 517%            | 1.6%  | 2.7%                               | -1.0%                                    |
|                      |                                  |                 |   | 163                                | -63                                      |
| Housing Wealth       | 248%                             | 275%            | 2.9%  | 3.0%                               | -0.1%                                    |
|                      |                                  |                 |   | 102                                | -2                                       |
| Non-Housing Wealth   | 278%                             | 242%            | 0.4%  | 2.4%                               | -2.0%                                    |
|                      |                                  |                 |   | 625                                | -525                                     |
| <b>2010–2018</b>     |                                  |                 |   |                                    |  |
| Total Private Wealth | 517%                             | 687%            | 4.5%  | 2.3%                               | 2.1%                                     |
|                      |                                  |                 |   | 52                                 | 48                                       |
| Housing Wealth       | 275%                             | 380%            | 5.0%  | 2.7%                               | 2.3%                                     |
|                      |                                  |                 |   | 54                                 | 46                                       |
| Non-Housing Wealth   | 242%                             | 307%            | 3.9%  | 1.9%                               | 2.0%                                     |
|                      |                                  |                 |   | 48                                 | 52                                       |

*Note:* This table displays the changes in private net wealth  $W_{p,t}$  and its two main subcomponents—private housing ( $H_{pt}$ ) and non-housing wealth ( $F_{pt} - L_{pt}$ )—between 2000 and 2018. The first two columns indicate the level of the total private wealth-income ratio  $\beta_{p,t}$ , the housing wealth-income ratio and the non-housing wealth-income ratio respectively for the corresponding years. The third column shows the average real growth rate  $g_w$  of the respective wealth components over the different time periods. With the formula in Equation (9) it is possible to decompose the real wealth growth rate  $g_w$  into two multiplicative components. Where one part of the wealth growth rate is savings-induced  $g_s^w$  and the other part are capital gains or losses  $q$ . The small numbers below the growth rates in columns 5 and 6 indicate the share in the total average real growth rate  $g_w$ . The methodology used to decompose the changes of the depicted private wealth categories into a savings and capital gains component is described in detail in Section A.9 in the appendix. Note that the saving rate used in the above decomposition is the net private saving rate (i.e., including retained earnings of corporations). The results of the same decomposition using the net saving rate of private households is shown in Table 2 (see in this context also Footnote 41). All growth rates are geometric averages. Detailed information on the data can be found in the corresponding subsections in Appendix A.

Table B7: Panel Regressions of Wealth-Income Ratios on Stock and House Prices

|                     | (1)            | (2)            | (3)            | (4)            |
|---------------------|----------------|----------------|----------------|----------------|
| <b>1970-2018</b>    |                |                |                |                |
| <b>Pooled OLS</b>   |                |                |                |                |
| House prices        | 0.21*** (0.03) |                | 0.20*** (0.03) | 0.20*** (0.03) |
| Share prices        |                | 0.05*** (0.01) | 0.04*** (0.01) | 0.03** (0.01)  |
| MSCI world          |                |                |                | 0.03* (0.02)   |
| Adj. R <sup>2</sup> | 0.103          | 0.058          | 0.155          | 0.158          |
| Obs.                | 485            | 471            | 471            | 471            |
| <b>Year FE</b>      |                |                |                |                |
| House prices        | 0.22*** (0.03) |                | 0.23*** (0.03) | 0.23*** (0.03) |
| Share prices        |                | 0.03** (0.02)  | 0.03* (0.02)   | 0.03* (0.02)   |
| MSCI world          |                |                |                | 1.15 (0.76)    |
| Adj. R <sup>2</sup> | 0.170          | 0.097          | 0.193          | 0.193          |
| Obs.                | 485            | 471            | 471            | 471            |
| <b>Country FE</b>   |                |                |                |                |
| House prices        | 0.21*** (0.03) |                | 0.21*** (0.03) | 0.20*** (0.03) |
| Share prices        |                | 0.05*** (0.01) | 0.05*** (0.01) | 0.03** (0.01)  |
| MSCI world          |                |                |                | 0.03 (0.02)    |
| Adj. R <sup>2</sup> | 0.083          | 0.036          | 0.136          | 0.138          |
| Obs.                | 485            | 471            | 471            | 471            |
| <b>1990-2018</b>    |                |                |                |                |
| <b>Pooled OLS</b>   |                |                |                |                |
| House prices        | 0.27*** (0.04) |                | 0.25*** (0.04) | 0.25*** (0.04) |
| Share prices        |                | 0.05*** (0.01) | 0.04*** (0.01) | -0.00 (0.02)   |
| MSCI world          |                |                |                | 0.08*** (0.03) |
| Adj. R <sup>2</sup> | 0.127          | 0.046          | 0.148          | 0.166          |
| Obs.                | 306            | 306            | 306            | 306            |
| <b>Year FE</b>      |                |                |                |                |
| House prices        | 0.31*** (0.04) |                | 0.32*** (0.04) | 0.32*** (0.04) |
| Share prices        |                | 0.01 (0.02)    | -0.01 (0.02)   | -0.01 (0.02)   |
| MSCI world          |                |                |                | -0.33 (0.23)   |
| Adj. R <sup>2</sup> | 0.258          | 0.125          | 0.256          | 0.256          |
| Obs.                | 306            | 306            | 306            | 306            |
| <b>Country FE</b>   |                |                |                |                |
| House prices        | 0.26*** (0.04) |                | 0.24*** (0.04) | 0.24*** (0.04) |
| Share prices        |                | 0.05*** (0.01) | 0.04*** (0.01) | -0.00 (0.02)   |
| MSCI world          |                |                |                | 0.08*** (0.03) |
| Adj. R <sup>2</sup> | 0.078          | 0.007          | 0.102          | 0.122          |
| Obs.                | 306            | 306            | 306            | 306            |

*Note:* The table shows alternative specifications of the panel regressions shown in bottom Panel B of Table 3 (see Fig. B15 for details on data availability by country). We use real house price (see appendix A.10) and real share price indices (see appendix A.11) as published by the OECD in September 2020. We regress the change in wealth-income ratios either on real house or share prices in the respective country (Columns 1 and 2), on both (Column 3), and on changes in the MSCI world share price index (Column 4). Residuals in all models are stationary. Standard errors shown in parentheses, next to coefficients. \* p<.1, \*\* p<.05, \*\*\* p<.01.

Table B8: OLS Regressions of Wealth-Income Ratios on Stock and House Prices, 1970–2018

|                     | (1)            | (2)            | (3)            | (4)            |
|---------------------|----------------|----------------|----------------|----------------|
| <b>Switzerland</b>  |                |                |                |                |
| House prices        | -0.05 (0.10)   |                | -0.05 (0.10)   | -0.07 (0.11)   |
| Share prices        |                | 0.04 (0.03)    | 0.04 (0.03)    | 0.02 (0.06)    |
| MSCI world          |                |                |                | 0.03 (0.07)    |
| Constant            | 1.00* (0.56)   | 0.74 (0.55)    | 0.84 (0.58)    | 0.84 (0.58)    |
| Adj. R <sup>2</sup> | -0.017         | 0.011          | -0.011         | -0.029         |
| Obs.                | 48             | 49             | 48             | 48             |
| <b>France</b>       |                |                |                |                |
| House prices        | 0.36*** (0.06) |                | 0.34*** (0.05) | 0.35*** (0.05) |
| Share prices        |                | 0.05** (0.02)  | 0.04** (0.01)  | 0.06** (0.02)  |
| MSCI world          |                |                |                | -0.03 (0.03)   |
| Constant            | 1.50*** (0.31) | 2.00*** (0.39) | 1.38*** (0.30) | 1.42*** (0.30) |
| Adj. R <sup>2</sup> | 0.469          | 0.090          | 0.525          | 0.528          |
| Obs.                | 45             | 45             | 45             | 45             |
| <b>Italy</b>        |                |                |                |                |
| House prices        | 0.20*** (0.07) |                | 0.21*** (0.07) | 0.17** (0.07)  |
| Share prices        |                | 0.02 (0.02)    | 0.02 (0.02)    | 0.04 (0.03)    |
| MSCI world          |                |                |                | -0.06 (0.06)   |
| Constant            | 2.40*** (0.63) | 2.67*** (0.67) | 2.33*** (0.63) | 2.57*** (0.67) |
| Adj. R <sup>2</sup> | 0.156          | -0.006         | 0.159          | 0.161          |
| Obs.                | 45             | 46             | 45             | 45             |
| <b>Spain</b>        |                |                |                |                |
| House prices        | 0.22*** (0.06) |                | 0.32*** (0.04) | 0.33*** (0.04) |
| Share prices        |                | 0.03 (0.03)    | -0.01 (0.02)   | -0.05 (0.03)   |
| MSCI world          |                |                |                | 0.07 (0.05)    |
| Constant            | 0.98 (0.65)    | 2.24*** (0.78) | 1.29*** (0.46) | 1.17** (0.47)  |
| Adj. R <sup>2</sup> | 0.221          | 0.008          | 0.675          | 0.686          |
| Obs.                | 43             | 29             | 29             | 29             |
| <b>Japan</b>        |                |                |                |                |
| House prices        | 0.55*** (0.09) |                | 0.46*** (0.08) | 0.46*** (0.09) |
| Share prices        |                | 0.12*** (0.03) | 0.07*** (0.03) | 0.07* (0.04)   |
| MSCI world          |                |                |                | 0.02 (0.05)    |
| Constant            | 2.19*** (0.50) | 1.73*** (0.60) | 1.88*** (0.47) | 1.86*** (0.48) |
| Adj. R <sup>2</sup> | 0.482          | 0.273          | 0.560          | 0.551          |
| Obs.                | 45             | 45             | 45             | 45             |
| <b>Sweden</b>       |                |                |                |                |
| House prices        | 0.19 (0.17)    |                | 0.17 (0.17)    | 0.16 (0.17)    |
| Share prices        |                | 0.10** (0.05)  | 0.08 (0.05)    | 0.06 (0.07)    |
| MSCI world          |                |                |                | 0.05 (0.11)    |
| Constant            | 1.67 (1.18)    | 1.08 (1.15)    | 1.06 (1.22)    | 1.10 (1.23)    |
| Adj. R <sup>2</sup> | 0.006          | 0.064          | 0.041          | 0.023          |
| Obs.                | 46             | 47             | 46             | 46             |

|                       | (1)            | (2)            | (3)            | (4)            |
|-----------------------|----------------|----------------|----------------|----------------|
| <b>Australia</b>      |                |                |                |                |
| House prices          | 0.16** (0.07)  |                | 0.17** (0.07)  | 0.18** (0.07)  |
| Share prices          |                | 0.06** (0.03)  | 0.06** (0.03)  | 0.02 (0.04)    |
| MSCI world            |                |                |                | 0.05 (0.04)    |
| Constant              | 1.11** (0.47)  | 1.45*** (0.42) | 0.99** (0.46)  | 0.85* (0.47)   |
| Adj. R <sup>2</sup>   | 0.082          | 0.070          | 0.156          | 0.164          |
| Obs.                  | 44             | 45             | 44             | 44             |
| <b>Canada</b>         |                |                |                |                |
| House prices          | -0.15 (0.10)   |                | -0.17 (0.11)   | -0.22* (0.11)  |
| Share prices          |                | -0.01 (0.04)   | 0.01 (0.04)    | -0.05 (0.06)   |
| MSCI world            |                |                |                | 0.10* (0.06)   |
| Constant              | 2.44*** (0.64) | 2.14*** (0.64) | 2.42*** (0.65) | 2.29*** (0.63) |
| Adj. R <sup>2</sup>   | 0.046          | -0.033         | 0.015          | 0.087          |
| Obs.                  | 30             | 30             | 30             | 30             |
| <b>United Kingdom</b> |                |                |                |                |
| House prices          | 0.21*** (0.05) |                | 0.19*** (0.05) | 0.16*** (0.05) |
| Share prices          |                | 0.10*** (0.04) | 0.09** (0.03)  | 0.02 (0.06)    |
| MSCI world            |                |                |                | 0.07 (0.06)    |
| Constant              | 1.12** (0.51)  | 1.63*** (0.52) | 0.99** (0.48)  | 1.04** (0.49)  |
| Adj. R <sup>2</sup>   | 0.262          | 0.132          | 0.353          | 0.347          |
| Obs.                  | 46             | 46             | 46             | 45             |
| <b>United States</b>  |                |                |                |                |
| House prices          | 0.46*** (0.15) |                | 0.27** (0.11)  | 0.25** (0.12)  |
| Share prices          |                | 0.24*** (0.03) | 0.23*** (0.03) | 0.20** (0.07)  |
| MSCI world            |                |                |                | 0.03 (0.07)    |
| Constant              | 0.75 (0.64)    | 0.30 (0.47)    | 0.06 (0.46)    | 0.08 (0.47)    |
| Adj. R <sup>2</sup>   | 0.151          | 0.527          | 0.569          | 0.561          |
| Obs.                  | 45             | 46             | 45             | 45             |

*Note:* The table shows results for OLS regressions of percentage changes in wealth-income ratios on percentage changes in real house prices, real share prices, and real the MSCI world stock index, respectively, by country. We use house price (see appendix A.10) and share price indices (see appendix A.11) as published by the OECD in September 2020. Period of analysis are the years 1970–2018 or the latest year with available data (see Fig. B15 for details on data availability by country). We regress the change in wealth-income ratios either on real house or share prices in the respective country (columns 1 and 2), on both (column 3), and on changes in the MSCI world share price index (column 4). Residuals in all models are stationary. Standard errors shown in parentheses, next to coefficients. \* p<.1, \*\* p<.05, \*\*\* p<.01.

Table B9: OLS Regressions of Wealth-Income Ratios on Stock and House Prices, 1990–2018

|                     | (1)            | (2)            | (3)            | (4)            |
|---------------------|----------------|----------------|----------------|----------------|
| <b>Switzerland</b>  |                |                |                |                |
| House prices        | 0.34* (0.18)   |                | 0.35* (0.18)   | 0.28 (0.19)    |
| Share prices        |                | 0.05 (0.05)    | 0.05 (0.05)    | -0.04 (0.08)   |
| MSCI world          |                |                |                | 0.14 (0.11)    |
| Constant            | 1.00 (0.74)    | 0.70 (0.83)    | 0.67 (0.79)    | 0.77 (0.78)    |
| Adj. R <sup>2</sup> | 0.080          | -0.004         | 0.092          | 0.116          |
| Obs.                | 29             | 29             | 29             | 29             |
| <b>France</b>       |                |                |                |                |
| House prices        | 0.45*** (0.06) |                | 0.44*** (0.06) | 0.44*** (0.06) |
| Share prices        |                | 0.05 (0.03)    | 0.02 (0.02)    | -0.00 (0.04)   |
| MSCI world          |                |                |                | 0.04 (0.05)    |
| Constant            | 1.58*** (0.36) | 2.29*** (0.61) | 1.52*** (0.37) | 1.50*** (0.37) |
| Adj. R <sup>2</sup> | 0.687          | 0.043          | 0.688          | 0.683          |
| Obs.                | 26             | 26             | 26             | 26             |
| <b>Italy</b>        |                |                |                |                |
| House prices        | 0.31** (0.13)  |                | 0.31** (0.13)  | 0.29** (0.14)  |
| Share prices        |                | -0.00 (0.04)   | 0.01 (0.04)    | 0.02 (0.05)    |
| MSCI world          |                |                |                | -0.04 (0.09)   |
| Constant            | 2.30*** (0.73) | 2.42*** (0.81) | 2.29*** (0.74) | 2.38*** (0.79) |
| Adj. R <sup>2</sup> | 0.159          | -0.041         | 0.123          | 0.091          |
| Obs.                | 26             | 26             | 26             | 26             |
| <b>Spain</b>        |                |                |                |                |
| House prices        | 0.39*** (0.05) |                | 0.39*** (0.05) | 0.43*** (0.05) |
| Share prices        |                | 0.04 (0.04)    | 0.00 (0.02)    | -0.06** (0.03) |
| MSCI world          |                |                |                | 0.13*** (0.05) |
| Constant            | 1.27*** (0.42) | 1.72** (0.78)  | 1.26*** (0.43) | 1.06** (0.38)  |
| Adj. R <sup>2</sup> | 0.722          | 0.013          | 0.710          | 0.784          |
| Obs.                | 25             | 25             | 25             | 25             |
| <b>Japan</b>        |                |                |                |                |
| House prices        | -0.02 (0.14)   |                | -0.02 (0.14)   | -0.02 (0.14)   |
| Share prices        |                | 0.02 (0.02)    | 0.02 (0.02)    | 0.03 (0.03)    |
| MSCI world          |                |                |                | -0.03 (0.05)   |
| Constant            | 0.13 (0.53)    | 0.18 (0.46)    | 0.15 (0.53)    | 0.23 (0.56)    |
| Adj. R <sup>2</sup> | -0.041         | -0.014         | -0.058         | -0.092         |
| Obs.                | 26             | 26             | 26             | 26             |
| <b>Sweden</b>       |                |                |                |                |
| House prices        | 0.10 (0.24)    |                | -0.03 (0.25)   | -0.03 (0.26)   |
| Share prices        |                | 0.11 (0.07)    | 0.12 (0.07)    | 0.11 (0.13)    |
| MSCI world          |                |                |                | 0.01 (0.21)    |
| Constant            | 2.95* (1.73)   | 2.42 (1.54)    | 2.51 (1.70)    | 2.52 (1.74)    |
| Adj. R <sup>2</sup> | -0.033         | 0.065          | 0.026          | -0.016         |
| Obs.                | 27             | 27             | 27             | 27             |



|                       | (1)            | (2)            | (3)            | (4)            |
|-----------------------|----------------|----------------|----------------|----------------|
| <b>Norway</b>         |                |                |                |                |
| House prices          | 0.22 (0.23)    |                | 0.59** (0.28)  | 0.51* (0.29)   |
| Share prices          |                | -0.04 (0.05)   | -0.12* (0.06)  | -0.16** (0.07) |
| MSCI world            |                |                |                | 0.12 (0.11)    |
| Constant              | 0.98 (1.70)    | 2.70** (1.16)  | 0.08 (1.64)    | 0.56 (1.70)    |
| Adj. R <sup>2</sup>   | -0.003         | -0.017         | 0.131          | 0.136          |
| Obs.                  | 22             | 22             | 22             | 22             |
| <b>Germany</b>        |                |                |                |                |
| House prices          | -0.04 (0.21)   |                | -0.03 (0.22)   | -0.05 (0.22)   |
| Share prices          |                | 0.01 (0.03)    | 0.01 (0.03)    | 0.03 (0.05)    |
| MSCI world            |                |                |                | -0.04 (0.07)   |
| Constant              | 1.19** (0.54)  | 1.14** (0.55)  | 1.14* (0.56)   | 1.16* (0.57)   |
| Adj. R <sup>2</sup>   | -0.038         | -0.035         | -0.077         | -0.106         |
| Obs.                  | 27             | 27             | 27             | 27             |
| <b>Australia</b>      |                |                |                |                |
| House prices          | 0.25* (0.13)   |                | 0.18 (0.11)    | 0.17 (0.12)    |
| Share prices          |                | 0.18*** (0.05) | 0.16*** (0.05) | 0.21** (0.09)  |
| MSCI world            |                |                |                | -0.05 (0.08)   |
| Constant              | 1.18 (0.78)    | 1.42** (0.62)  | 0.91 (0.68)    | 0.98 (0.70)    |
| Adj. R <sup>2</sup>   | 0.096          | 0.290          | 0.337          | 0.317          |
| Obs.                  | 25             | 25             | 25             | 25             |
| <b>Canada</b>         |                |                |                |                |
| House prices          | -0.22 (0.18)   |                | -0.25 (0.19)   | -0.23 (0.19)   |
| Share prices          |                | -0.00 (0.06)   | 0.03 (0.06)    | -0.08 (0.10)   |
| MSCI world            |                |                |                | 0.14 (0.10)    |
| Constant              | 2.69*** (0.87) | 2.28** (0.87)  | 2.63*** (0.90) | 2.80*** (0.89) |
| Adj. R <sup>2</sup>   | 0.026          | -0.053         | -0.018         | 0.027          |
| Obs.                  | 21             | 21             | 21             | 21             |
| <b>United Kingdom</b> |                |                |                |                |
| House prices          | 0.19** (0.08)  |                | 0.15** (0.07)  | 0.16* (0.08)   |
| Share prices          |                | 0.18*** (0.05) | 0.16*** (0.05) | 0.17 (0.12)    |
| MSCI world            |                |                |                | -0.01 (0.11)   |
| Constant              | 1.60** (0.65)  | 1.64*** (0.57) | 1.31** (0.55)  | 1.31** (0.56)  |
| Adj. R <sup>2</sup>   | 0.143          | 0.317          | 0.410          | 0.383          |
| Obs.                  | 26             | 26             | 26             | 26             |
| <b>United States</b>  |                |                |                |                |
| House prices          | 0.64*** (0.18) |                | 0.43*** (0.10) | 0.41*** (0.10) |
| Share prices          |                | 0.33*** (0.05) | 0.29*** (0.04) | 0.18** (0.08)  |
| MSCI world            |                |                |                | 0.11 (0.08)    |
| Constant              | 0.81 (0.80)    | -0.39 (0.62)   | -0.46 (0.48)   | -0.26 (0.49)   |
| Adj. R <sup>2</sup>   | 0.329          | 0.653          | 0.793          | 0.801          |
| Obs.                  | 26             | 26             | 26             | 26             |

*Note:* The table shows results for OLS regressions of percentage changes in wealth-income ratios on percentage changes in real house prices, real share prices, and real the MSCI world stock index, respectively, by country. We use house price (see appendix A.10) and share price indices (see appendix A.11) as published by the OECD in September 2020. Period of analysis are the years 1990–2018 or the latest year with available data (see Fig. B15 for details on data availability by country). We regress the change in wealth-income ratios either on real house or share prices in the respective country (columns 1 and 2), on both (column 3), and on changes in the MSCI world share price index (column 4). Residuals in all models are stationary. Standard errors shown in parentheses, next to coefficients. \* p<.1, \*\* p<.05, \*\*\* p<.01.

## B.2 Additional Figures

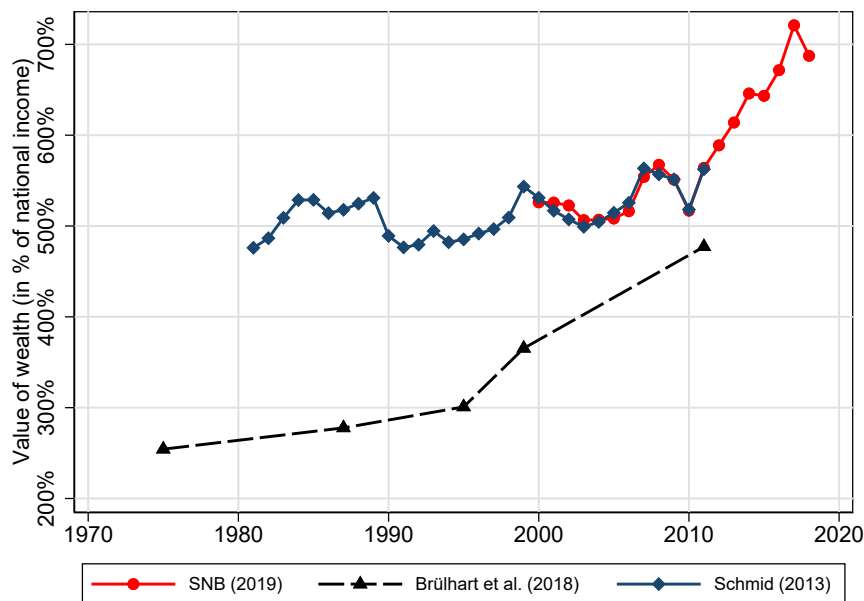
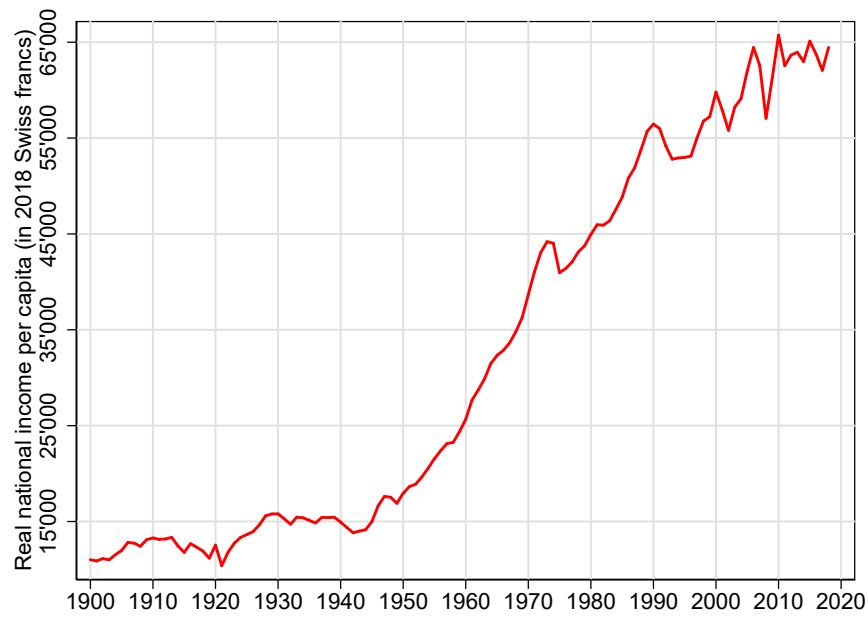
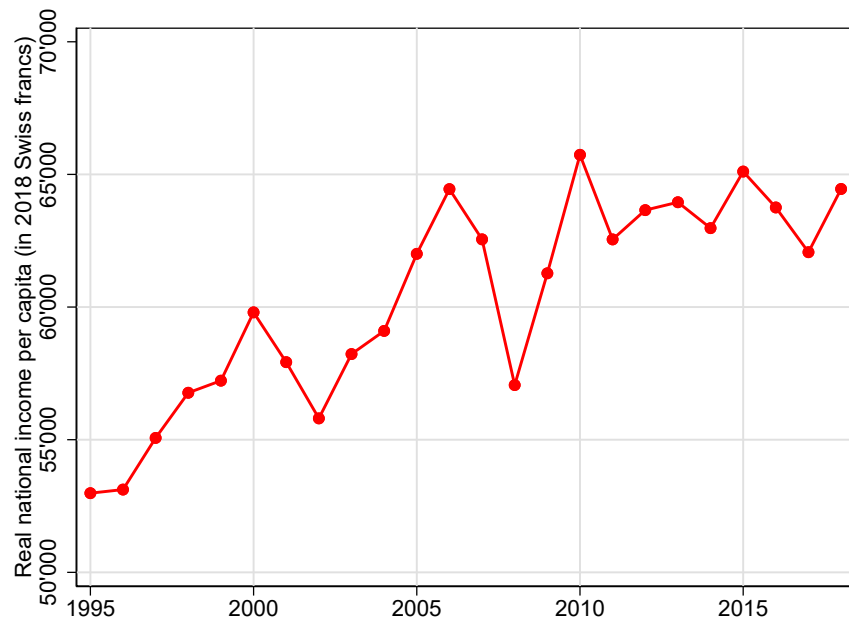


Figure B1: Different Private Wealth Estimates for Switzerland, 1975–2018

*Note:* This figure displays different estimates of private wealth measured in national income for Switzerland from 1975 to 2018. The red line shows the private wealth estimates at market value which are provided by the SNB in the context of the Swiss financial account. The dark blue line displays the aggregate net private wealth estimates submitted by Schmid (2013), who could rely on SNB internal data, which are partly gathered numbers from hardcopy prints of the relevant statistics and are not publicly available. Finally the black line shows net private wealth estimates of Brülhart et al. (2018), which are mainly based on wealth tax statistics.



(a) 1900–2018



(b) 1995–2018

Figure B2: Real Net National Income per Capita in Switzerland

*Note:* This figure shows Switzerland's real per capita national income. Nominal net national income is deflated by the Swiss CPI (A.6) and divided by the total population of Switzerland (A.5) in the corresponding year. Thus, the figure displays the average real net national income of Switzerland, expressed in 2018 Swiss francs.

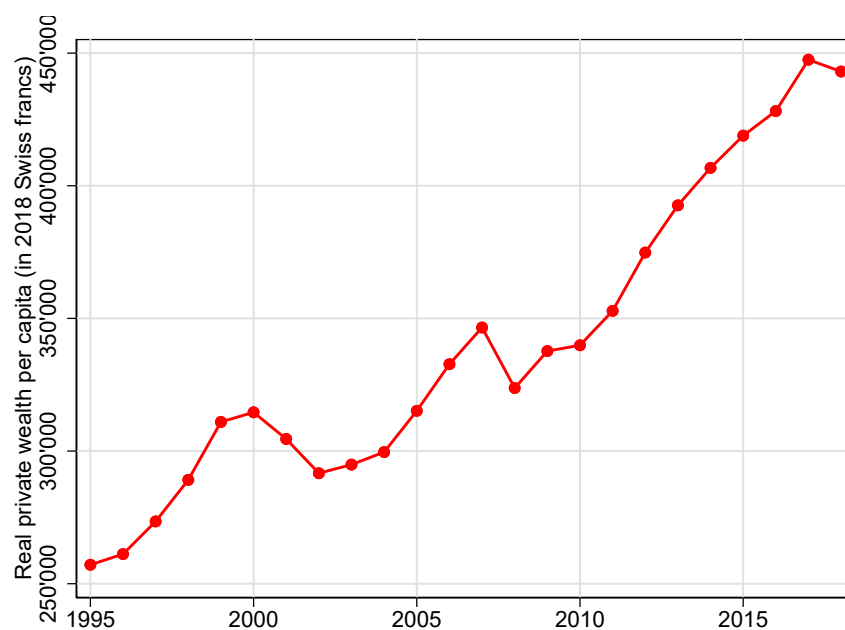


Figure B3: Real Private Wealth per Capita in Switzerland, 1995–2018

*Note:* This figure displays the evolution of real private wealth per capita in Switzerland between 1995 and 2018. The total nominal private wealth series is deflated by the Swiss CPI (A.6) and divided by the total population of Switzerland (A.5) in the corresponding year. Thus, the figure shows the average real net private of wealth of Switzerland, expressed in 2018 Swiss francs.

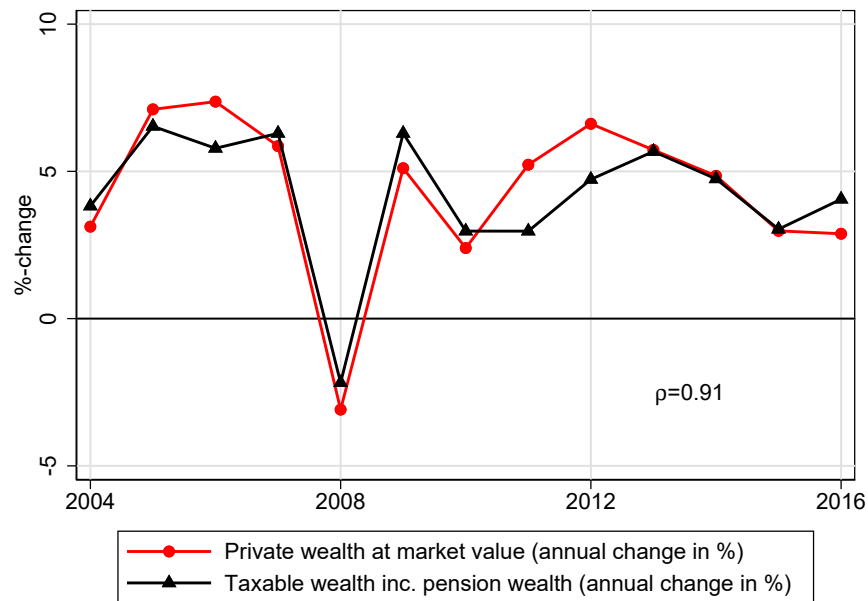


Figure B4: Annual Percentage Change in Taxable Wealth (including Pension Wealth) and Total Private Wealth at Market Value, 2003–2016

*Note:* This figure shows the annual change in total wealth at market values published by the SNB (red line with circles) and taxable wealth plus private pension wealth (black line with triangles) for the years where the two wealth series overlap. While these wealth series differ in levels, the figure shows that their annual growth rates are very similar.

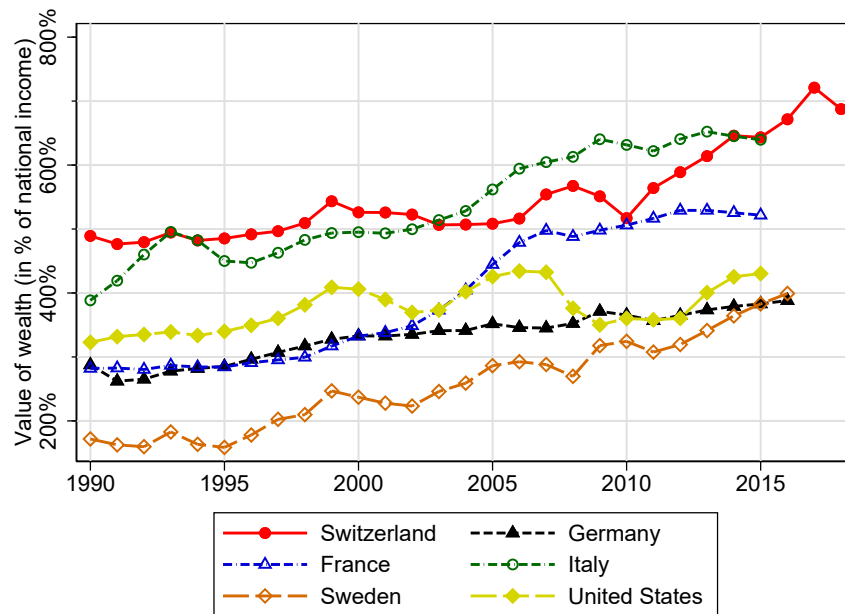
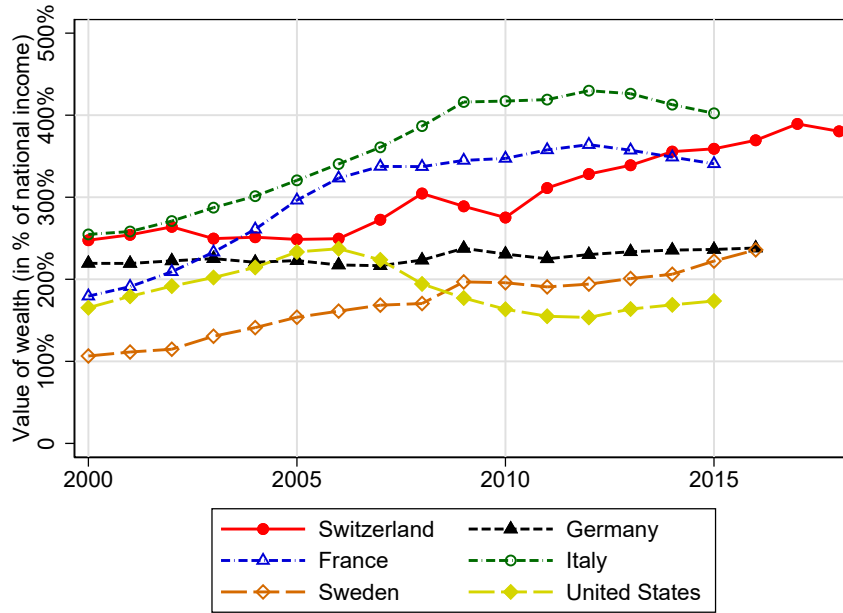
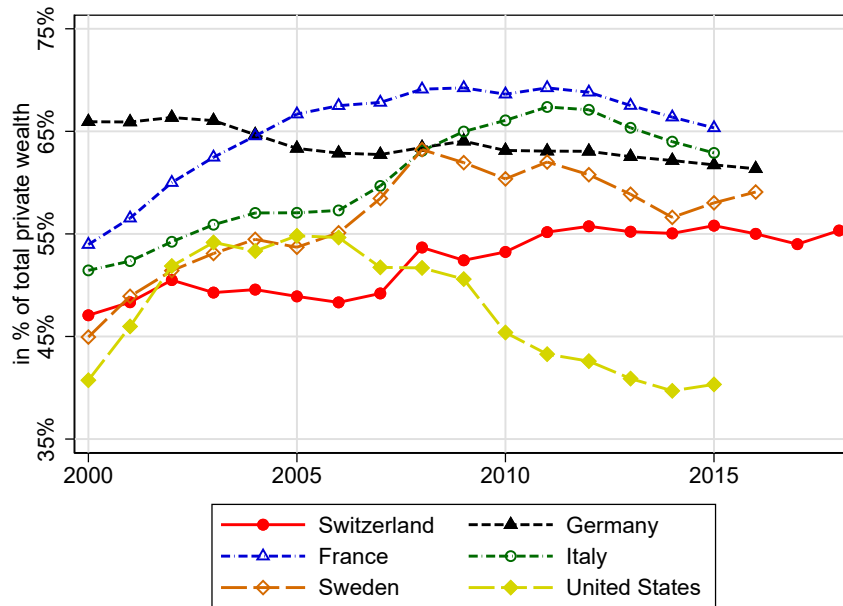


Figure B5: Private Wealth-Income Ratios in International Comparison, 1990–2018

*Note:* This figure shows the evolution of the private wealth-income ratio  $\beta_{pt}$  for several countries from 1990 to 2018.  $\beta_{pt}$  is derived by dividing total net household wealth—i.e., the sum of private non-financial assets (consisting only of housing wealth) and financial assets minus financial liabilities—by national income,  $Y_t$ . The data sources for Switzerland are described in detail in appendix A.1. The series for Germany, France, Italy and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.



(a) Housing Wealth-Income Ratio



(b) Housing Wealth as Share of Total Net Private Wealth

Figure B6: Housing Wealth  $H_{pt}$  in International Comparison, 2000-2018

*Note:* Panel a) displays the evolution of the housing wealth  $H_{pt}$  measured in national income  $Y_t$  for the countries indicated from 2000 to 2018. Where the private housing wealth-income ratio is derived by dividing total gross housing assets of private households by national income. Panel b) shows the development of housing wealth  $H_{pt}$  as a share of total private wealth  $W_{pt}$  for the same period and countries. The data sources for Switzerland are described in detail in A.1. The series for Germany, France, Italy and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.

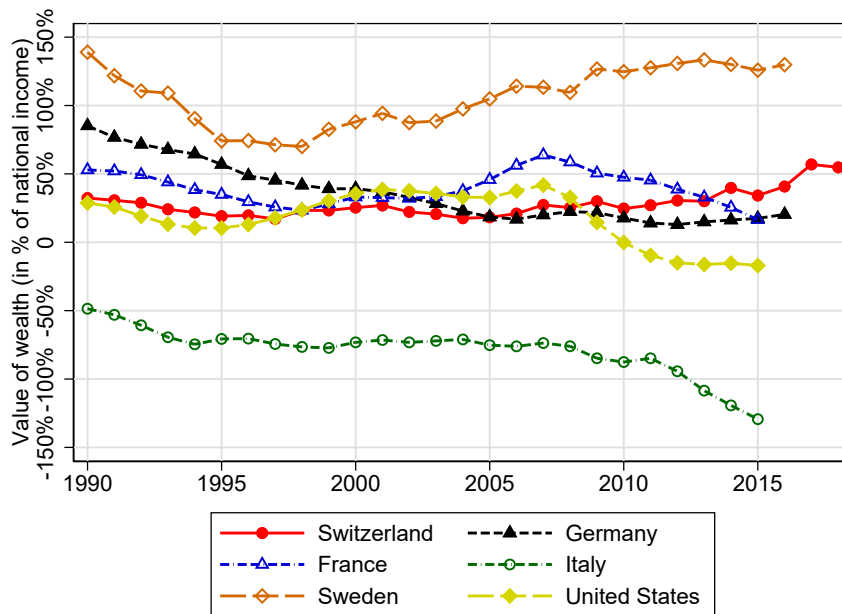


Figure B7: Public Wealth-Income Ratios, 1990–2018

*Note:* This figure displays the evolution of the public wealth-income ratio  $\beta_{gt}$  for the countries indicated from 1990 to 2018. Where  $\beta_{gt}$  is derived by dividing the sum of public non-financial assets  $K_{gt}$ , public financial assets  $F_{gt}$  minus public financial liabilities  $L_{gt}$  by national income  $Y_t$ . The data sources for Switzerland are described in detail in the A.2. The series for Germany, France, Italy and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.



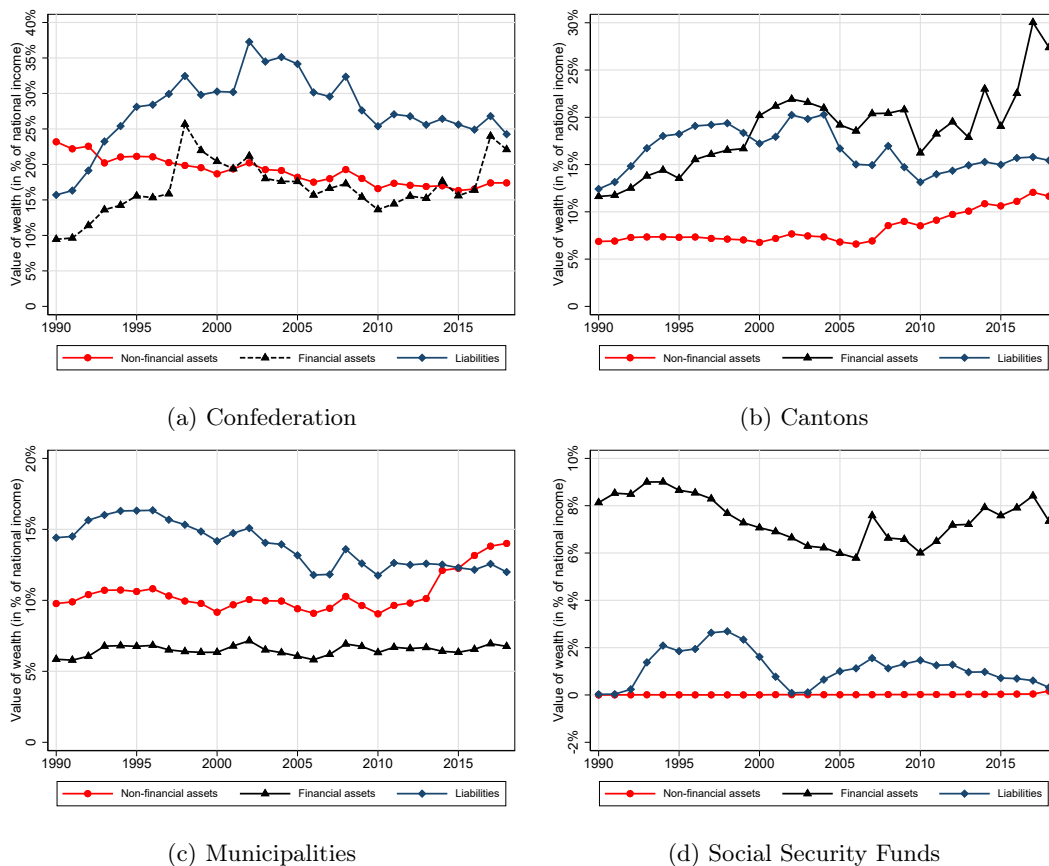


Figure B8: Decomposition of Public Wealth in Switzerland by Government-levels, 1990–2018

*Note:* This figure shows the development of three main components of public assets  $W_{gt}$ —Public non-financial assets  $K_{gt}$ , public financial assets  $F_{gt}$  and public financial liabilities  $L_{gt}$ —for the period 1990–2018 measured by national income  $Y_t$  separately for each government level. In addition to the three government levels of Switzerland—the federal level, the cantonal level (state level) and the municipality level—we display the evolution of the state-owned social security funds. Note that public financial liabilities  $L_{gt}$  are actually negative. To obtain net public wealth  $W_{gt}$  one has to subtract  $L_{gt}$  from the sum of  $K_{gt}$  and  $F_{gt}$ . The data sources are described in detail in appendix A.2.

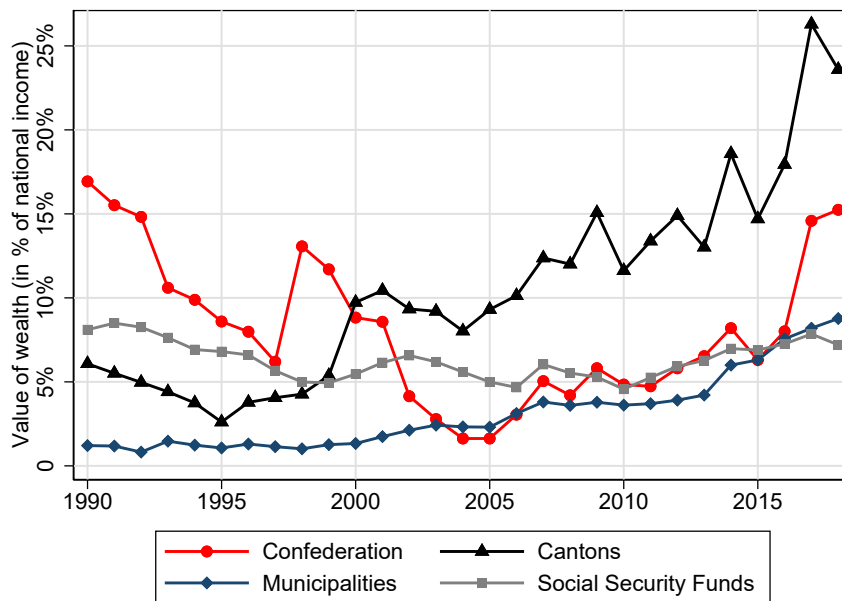


Figure B9: Public Wealth-Income Ratios in Switzerland by Government-level, 1990–2018

*Note:* This figure shows the evolution of net public wealth by the different government-levels of Switzerland expressed in terms of national income  $Y_t$  from 1990 to 2018. The data sources are described in detail in appendix A.2.

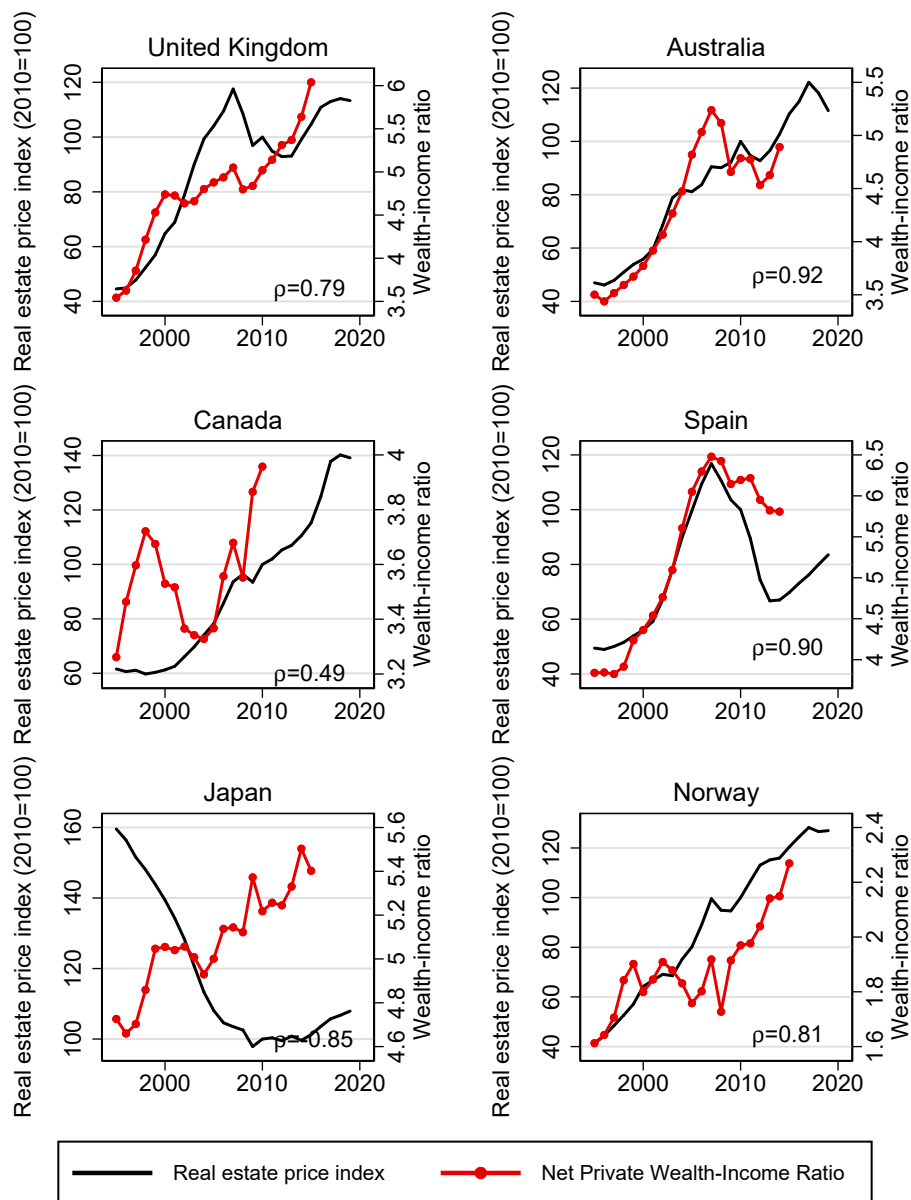


Figure B10: Wealth-Income Ratios and Real Estate Price Indices, 1995–2017

*Note:* This figure shows private wealth-income ratios in the U.K., Australia, Canada, Spain, Japan and Norway along with real house price indices of each of those countries. The price indices were obtained online from the OECD in September 2020. The data for the real house price indices are described in appendix A.10.

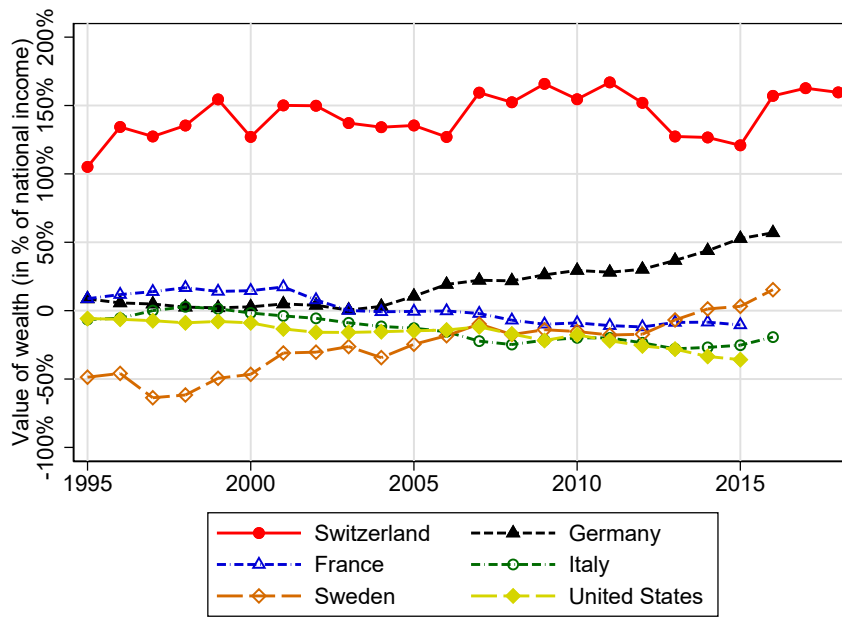


Figure B11: Evolution of Net Foreign Wealth, 1995–2018

*Note:* This figure displays the evolution of net foreign wealth  $NFA_{nt}$  expressed in terms of national income  $Y_t$  for the countries indicated from 1995 to 2018. The data sources for Switzerland are described in detail in the A.3. The series for Germany, France, Italy and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.

## Remarks on the International Non-Financial Assets ( $K_{pt}$ ) Data

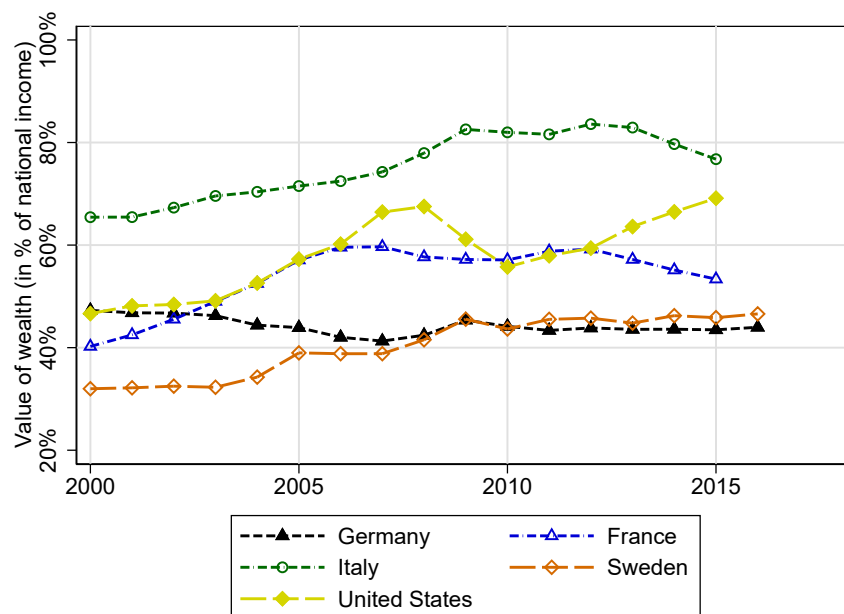


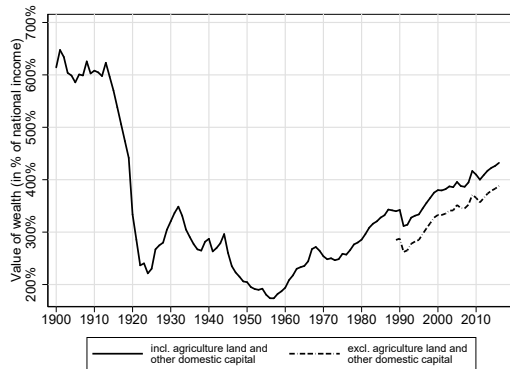
Figure B12: Agriculture Land & other Domestic Capital, 2000–2016

*Note:* This figure displays the evolution of the sum of agricultural land  $A_{pt}$  and other domestic capital  $D_{pt}$  in terms of net national income  $Y_t$  for the countries indicated from 2000 to 2016. We subtract this ratio from  $\beta_{ipt}$  and  $\beta_{nt}$  in Section 6 in order to compare the evolution of these countries with Switzerland, where no data for  $A_{pt}$  and  $D_{pt}$  exist. The series for Germany, France, Italy and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.

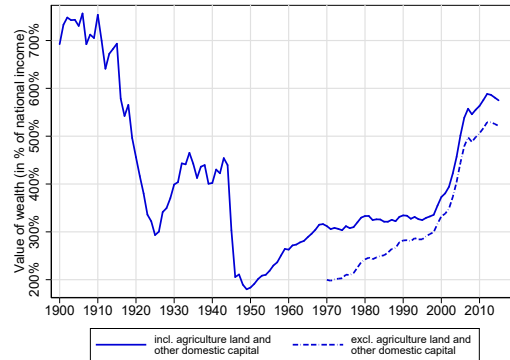
As described in the data section 4, there exist no estimates on the value of agricultural land  $A_{pt}$  and other domestic capital  $D_{pt}$  for Switzerland. Therefore, private non-financial assets  $K_{pt}$  consist only of housing wealth  $H_{pt}$ , such that  $A_{pt} = D_{pt} = 0$ . Since we want to compare Switzerland's total net private wealth  $W_{pt}$  with those of other countries in which private non-financial assets  $K_{pt}$  also include  $A_{pt}$  and  $D_{pt}$ , it seems plausible to deduct  $A_{pt}$  and  $D_{pt}$  from total private net wealth  $W_{pt}$  for the reference countries. Figure B12 shows the value of  $A_{pt} + D_{pt}$  in terms of national income for the reference countries. Note that if we subtract  $A_{pt} + D_{pt}$  from  $W_{pt}$  their net national wealth also decreases. This ensures that we actually compare like with like. We thus deduct  $A_{pt}$  and  $D_{pt}$  from net wealth  $W_{pt}$  of the benchmark countries for the period in which we are able to observe net private wealth for Switzerland at market value (Section 6).

In Section 5 we do not subtract  $A_{pt} + D_{pt}$  from  $W_{pt}$ . This may seem odd at first glance due to the above explanations. The reason for this is that in Chapter

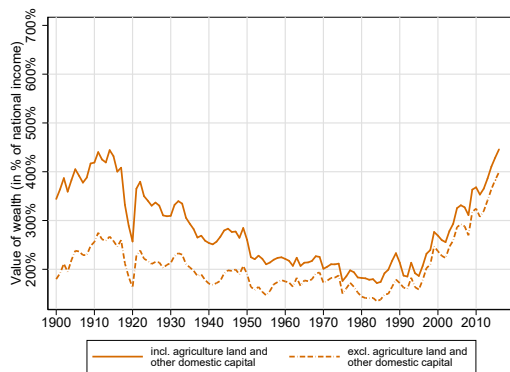
5, where we study the historical evolution of private wealth for Switzerland, we can no longer observe  $W_{pt}$  directly. Instead, we estimate net private wealth on the basis of growth rates from a combination of tax and pension wealth data. Reasonable to assume is that over the course of the 20th century agricultural land in particular has given way to other investment opportunities; this can be inferred at least from the observation from the reference countries (see Fig. B13). This in turn means that, based on our estimation method (backward interpolation), we obtain an estimate of private net wealth at the beginning of the twentieth century, which includes, at least in part, also the value of agriculture land. Therefore, if we were to deduct  $A_{pt} + D_{pt}$  from  $W_{pt}$  for the other countries over the entire period, Switzerland would look relatively wealthier in comparison in the first half of the 20th century. Moreover, the values for  $A_{pt}$  and  $D_{pt}$  are only available for Sweden and the United States over an extended period (see Fig. B13).



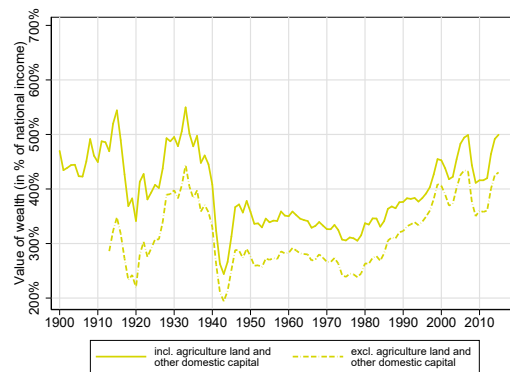
(a) Germany



(b) France



(c) Sweden



(d) United States

Figure B13: Private Wealth-Income Ratios including and excluding  $A_{pt}$  and  $D_{pt}$ , 1900–2016

*Note:* This figure displays the evolution of the private wealth-income ratio  $\beta_{pt}$  for the countries indicated from 1900 to 2016. Where the solid line shows the evolution  $\beta_{pt}$  including the value of  $A_{pt}$  and  $D_{pt}$ . The dotted line, on the other hand, shows the development of  $\beta_{pt}$  without  $A_{pt}$  and  $D_{pt}$ . In particular, the graph for the United States and Sweden show that the importance of agriculture land was greater at the beginning of the century. The series for Germany, France and the United States are based on Piketty and Zucman (2014), and from Waldenström (2017) for Sweden. All these have been updated and are available for download from <https://wid.world>.

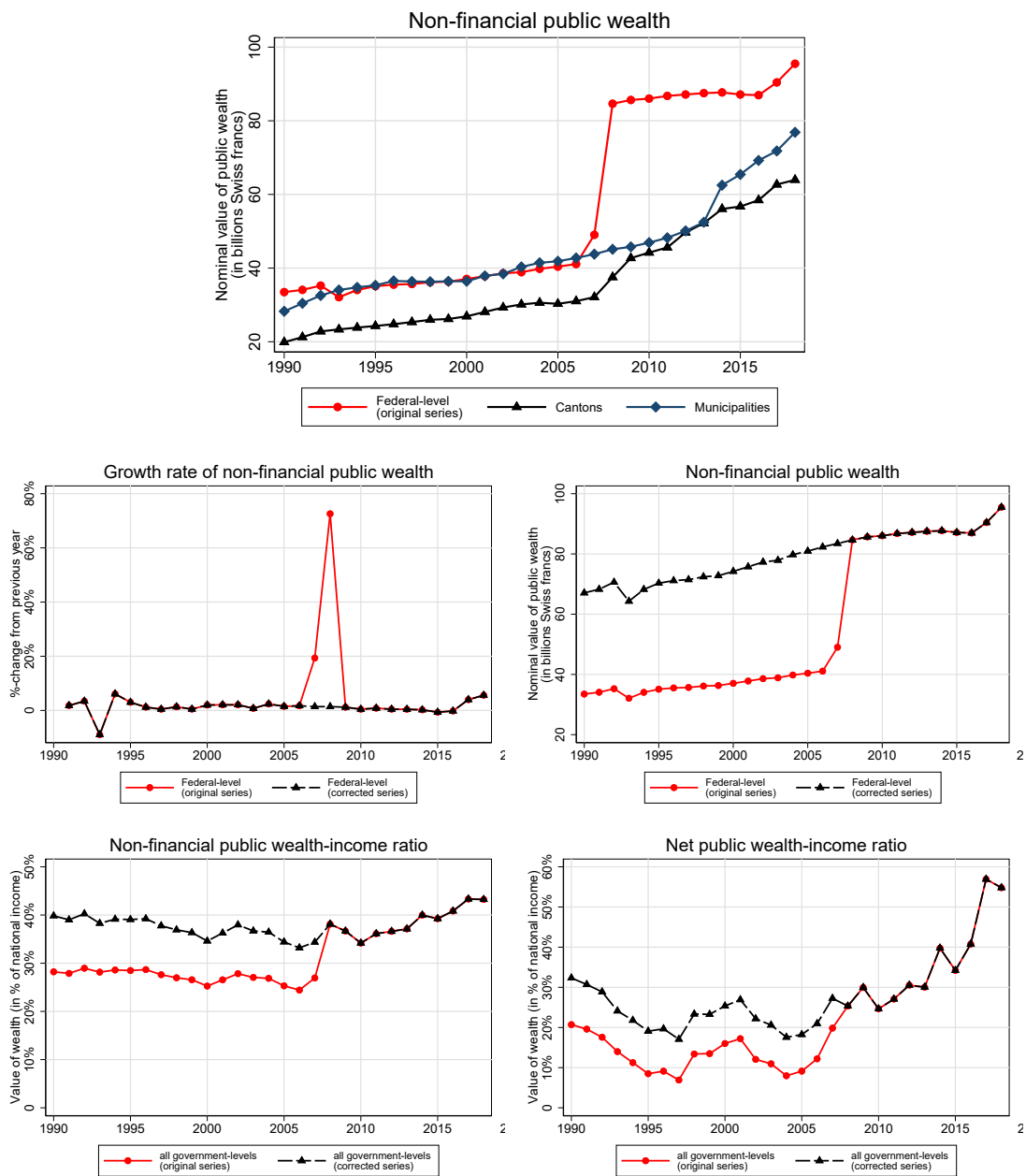
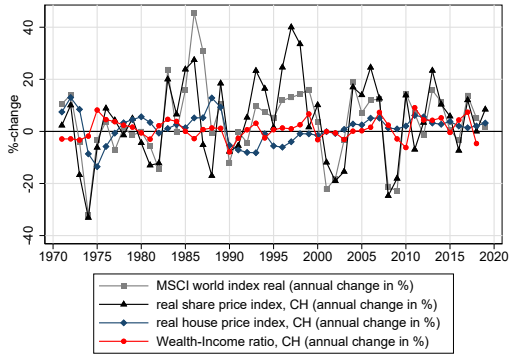


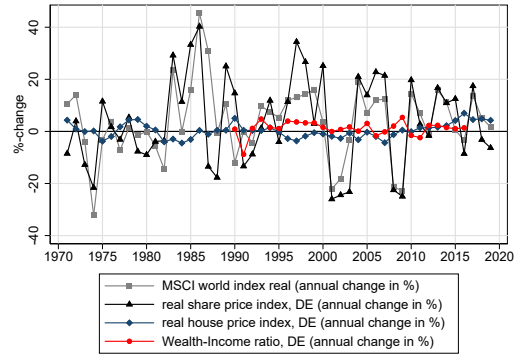
Figure B14: Correction of the non-financial public wealth series at the federal-level, 1990–2018

*Note:* Public non-financial assets  $K_{gt}$  usually grew at very modest rates except in 2007 (+19.3%) and 2008 (+72.6%). For these two years we corrected the series by applying the average growth rate of +1.4%. This leads to a more stable and plausible evolution of the public wealth income ratio.

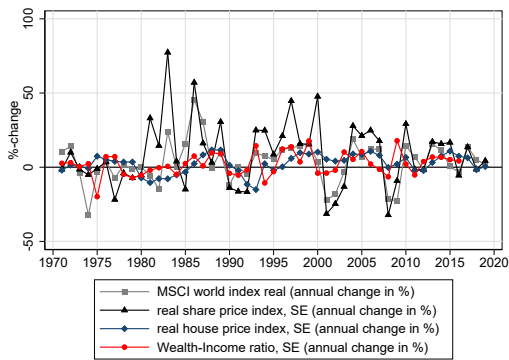




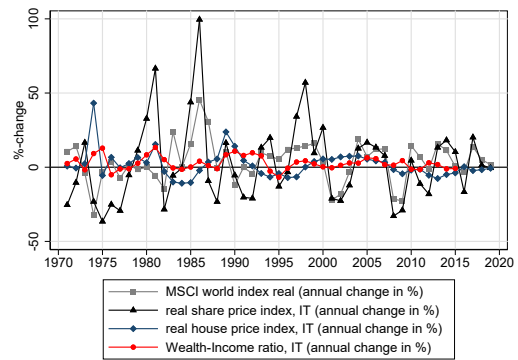
(a) Switzerland



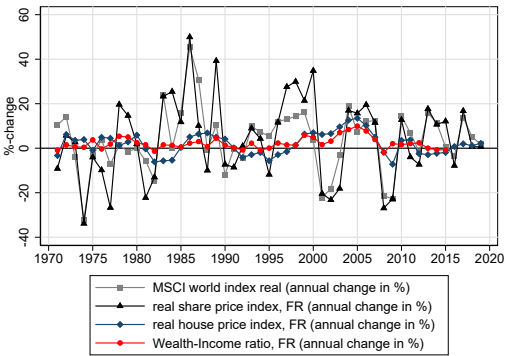
(b) Germany



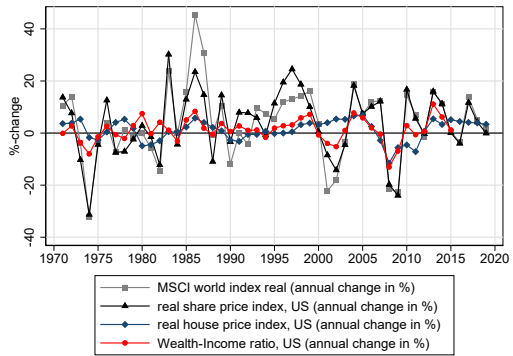
(c) Sweden



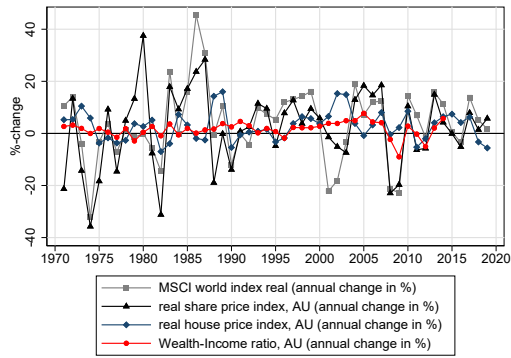
(d) Italy



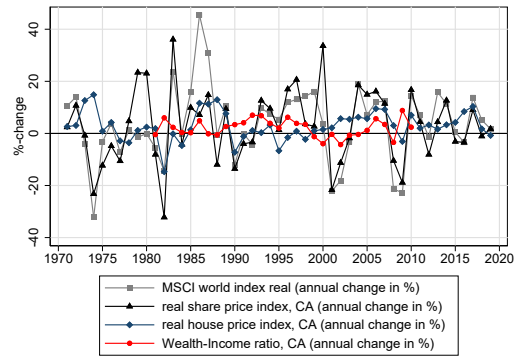
(e) France



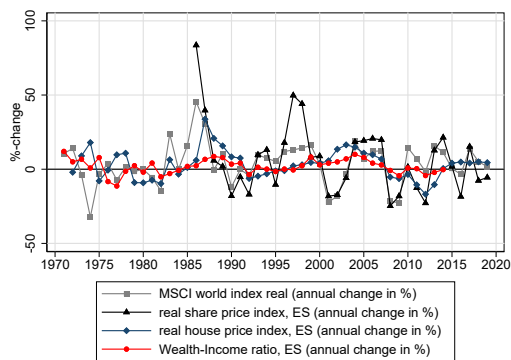
(f) United States



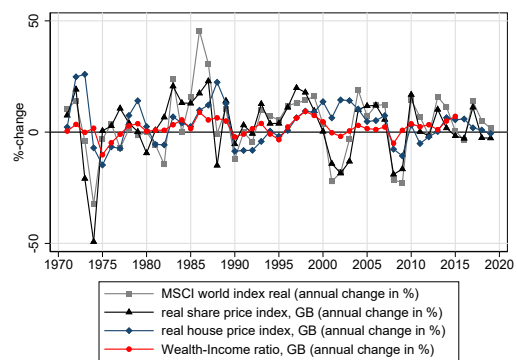
(g) Australia



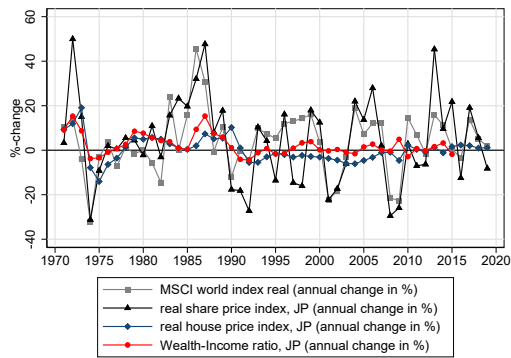
(h) Canada



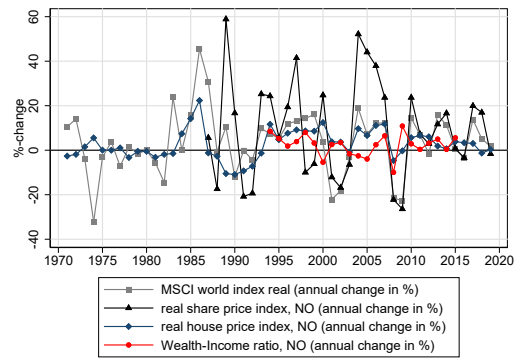
(i) Spain



(j) United Kingdom



(k) Japan



(l) Norway

Figure B15: Annual Changes in  $\beta_{pt}$ , Real House Prices and Real Share Prices

*Note:* This figure shows the data used for the regressions of wealth-income ratios on real share prices and real housing prices in Section 7.3. The price indices were obtained online from the OECD in September 2020. For the real house price indices, the data are described in appendix A.10 and for the real share price indices in appendix A.11.