



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

Discussion:

„Private Wealth in economics and the economy. A reflection on concepts and methods“ (Pirmin Fessler)

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OeNB Workshop „The Measurement of Augmented Wealth“

Martin Schürz

www.oenb.at

The opinions expressed in this presentation solely represent those of the author and do not necessarily reflect the official viewpoint of the Oesterreichische Nationalbank or of the Eurosystem.



Reflection by Pirmin Fessler

what we measure influences what we see and what we do (J. Stiglitz)

- Measuring wealth by no means straightforward; *pragmatically: Net wealth* is measured by certain authorities in the field: ESCB, *OECD Guidelines for Micro Statistics* (2013); wealth reports
- *Augmented wealth*: Martin Feldstein 1974 [Social Security, Induced Retirement and Aggregate Capital Accumulation](#)
- Abundant data problems: what shall/can be counted? difficult conceptual issues: do we talk about the same thing when we use the word wealth?
- how to augment net wealth? Pensions, health, long term care; but the list can/shall be a lot longer: social networks

→ Making it explicit what we know **and what we do not know**

- Etymologically wealth comes from weal, wellbeing, welfare.....
 - Adam Smith *Wealth of Nations* (1776) : “Mr Hobbes says, **wealth is power**”
 - Thomas Hobbes *Leviathan* (1651): “**Riches joyned with liberality, is power**; because it procureth friends, and servants” (Chapter 10)
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1. Wealth is **not an aim in itself**; “The reason the rich man glories in his riches is that he feels that they naturally draw upon him the **attention** of the world” (Adam Smith)
 2. Wealth is about **potentiality**: potential consumption, potential investment, potential selling
 3. Wealth is a primary source of **identity**: Social standing depends on economic position
- But to augment wealth in a coherent way, research has to be based on a social theory otherwise it remains arbitrary

What/whom to consider in research? *Wealth* or *wealth holders* (private and public actors)

- Martin Feldstein 1974: „*For the great majority of Americans the most important form of household wealth is the anticipated social security retirement benefits*“; focus on households at lower net wealth levels in the distribution; augmented wealth inequality will be smaller than net wealth inequality
- ***Welfare state*** as *wealth of the middle class*: either a political metaphor or a substitute for wealth for a majority
- ***Housing wealth***: largest wealth component: either a perspective on the top half or a political program of an ownership society

→ Implicit or explicit normative judgements

Comparability

Misleading country rankings in terms of *net wealth*: median, average, Gini...

Augmented Wealth: capitalize different kinds of future income: but **how to interpret** the resulting wealth figures? undermines the usual distinction between private wealth and public wealth

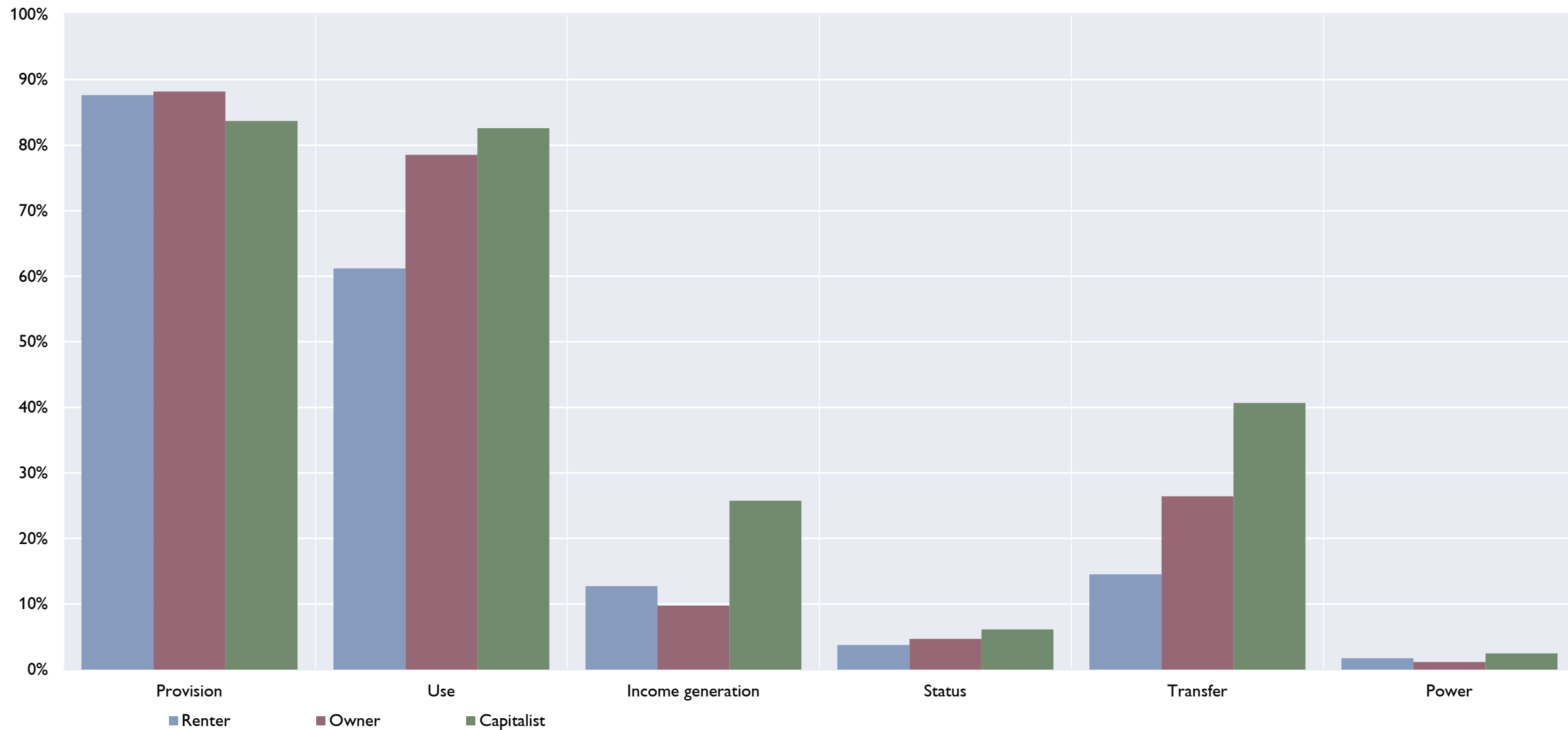
[new G20 Data Gaps Initiative](#): internationally comparable household wealth distributions in line with national accounts totals: conceptual challenge is the **measurement of top-wealth**

In a way we can **compare wealth** so long as wealth holders share a similar social environment:

→ A conceptual bridge between wealth and wealth holders: [Structuring the Analysis of Wealth Inequality Using the Functions of Wealth: A Class-Based Approach | NBER](#)

Functions of wealth across net wealth distribution

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Source: OeNB, HFCS 2017.