



Distributional Financial Accounts of the United States

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Board of Governors of the Federal Reserve System

BEA Advisory Committee Meeting

Suitland, MD

May 10, 2019

The DFAs are a product of a collaboration between Flow of Funds and Microeconomic Survey sections of the Board. Contributors to this project include Michael Batty, Jesse Bricker, Joseph Briggs, Elizabeth Holmquist, Susan McIntosh, Kevin Moore, Eric Nielsen, Sarah Pack, Karen Pence, Molly Shatto, Paul Smith, Kamila Sommer, Tom Sweeney, Jeff Thompson, and Alice Henriques Volz

Note: The analysis and conclusions set forth are those of the author and do not indicate concurrence by the Board of Governors.



Introduction

- Wealth and income distributions are increasingly viewed as important characteristics of the economy, with research indicating they potentially affect macroeconomic outcomes
- A number of parties have called upon statistical agencies to develop distributional statistics
- A new public data set, the Distributional Financial Accounts, provides high-frequency, timely measures of the wealth distribution



Measures of Household Wealth

- Financial Accounts of the United States
 - Measures aggregate wealth
 - Quarterly observations through most recent quarter
 - **No measures of the wealth distribution**
- Survey of Consumer Finances (SCF)
 - Measures wealth of individual households
 - Rich distributional information
 - **Observations every three years**
- World Inequality Database (WID)
 - Imputes wealth from income tax returns
 - Annual summary measures of wealth distribution
 - **Observations have at least a three-year lag**



The Distributional Financial Accounts

- Combine quarterly aggregate measures of household wealth from the Financial Accounts of the United States with triennial wealth distribution measures from the Survey of Consumer Finances
- Key features of the DFAs:
 - Provide a comprehensive integration of disaggregated household-level data with official aggregate wealth measures
 - Have relatively high-frequency measures of the wealth distribution, making it suitable for studying the business cycle dynamics of wealth inequality
 - Provide near-real time measures that can be used for studying recent changes in the wealth distribution



Reconcile Wealth Concepts between Financial Accounts and SCF

1. Organize components of SCF net worth into similar line items from the Financial Accounts household balance sheet
2. Adjust for SCF balance sheet items that are difficult to measure or absent
3. Examine areas of potential disconnect and develop solutions to bridge gaps

SCF and Financial Accounts aggregates are broadly comparable

- Averaged across SCF waves, aggregate SCF net worth is close to Financial Accounts net worth (101%)
- Differences are smaller for large asset categories
- Do not expect that mismatches skew the wealth distribution



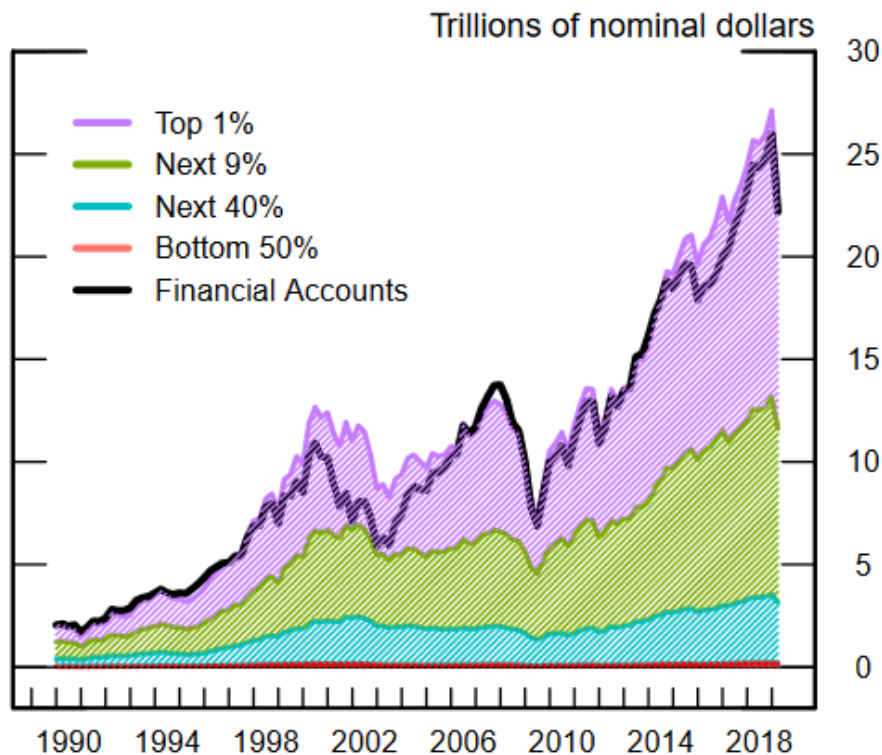
Estimate SCF Wealth for Missing Quarters

- Impute and forecast reconciled triennial SCF data to quarters using Chow-Lin approach
- Choose indicator series that measure similar quantities to target series, capture important economic developments, or predict changes in the distribution of assets and liabilities across groups
- Applied to each wealth component for each wealth group

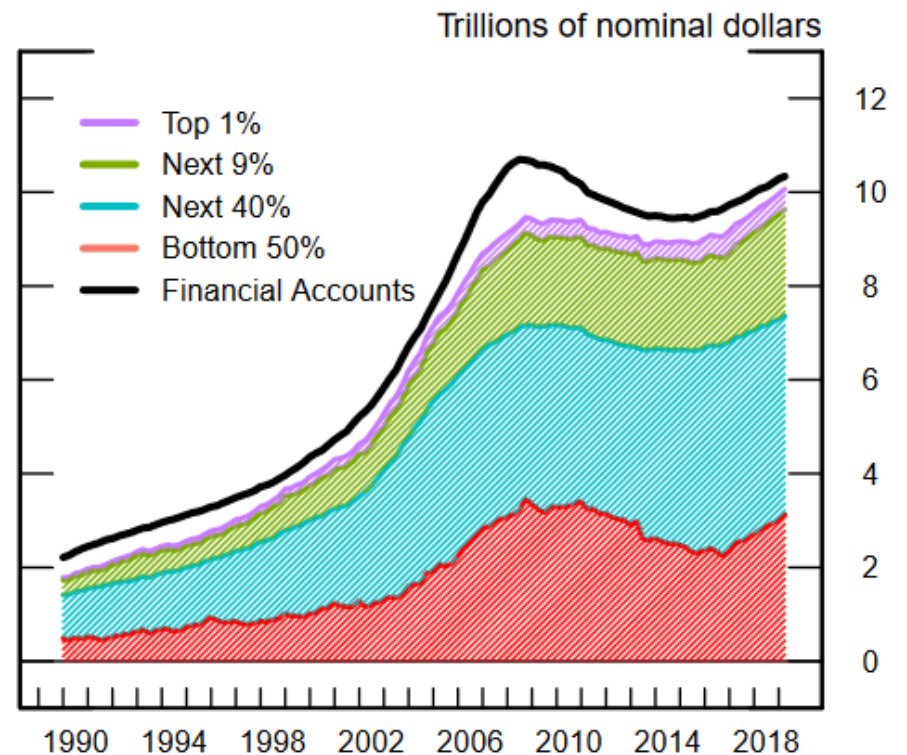


Predicted Measures of Corporate Equities/Mutual Funds and Mortgages

Corporate equities and mutual funds



Mortgages





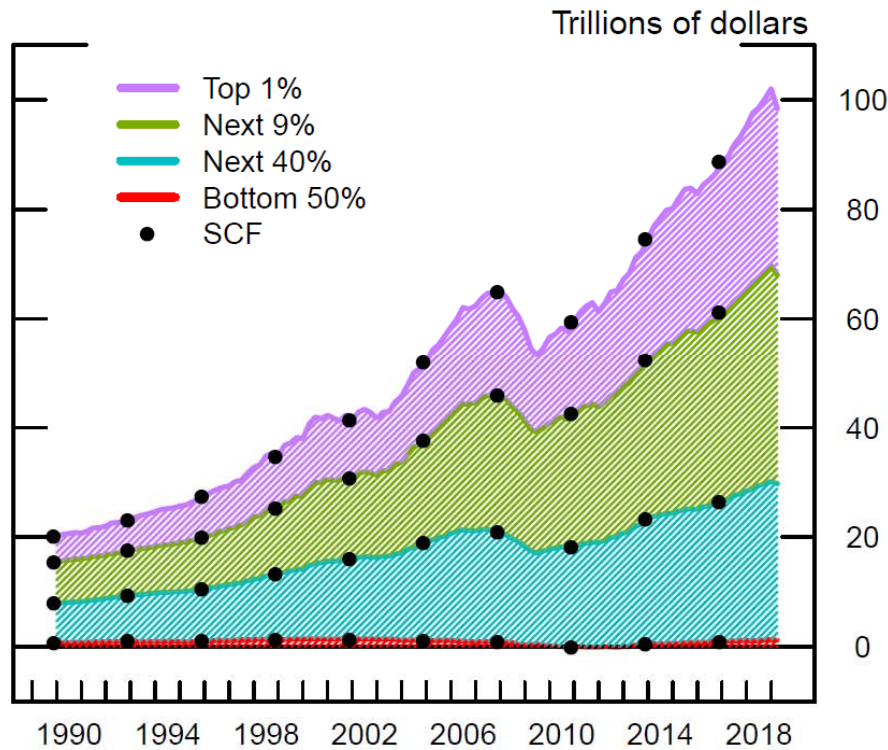
Calculate and Apply SCF Wealth Shares

- Use quarterly reconciled SCF series to calculate shares held by top 1%, next 9%, next 40%, and bottom 50% percentile groups
 - Multiply Financial Accounts assets and liabilities totals by SCF shares
- * This method could be used to study the wealth distribution across demographic groups

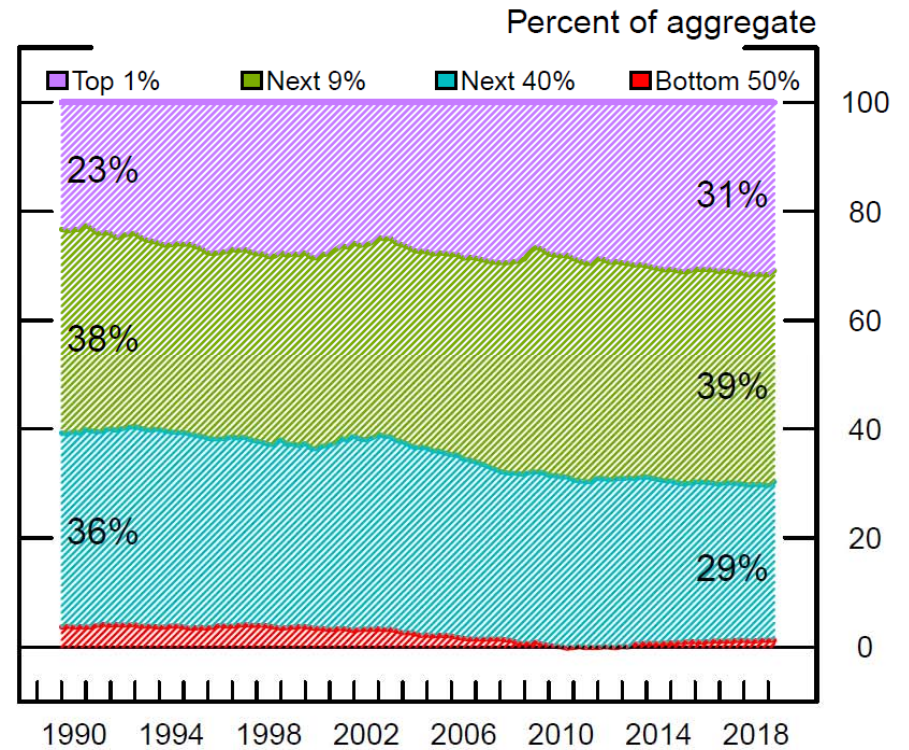


DFA Net Worth

Net worth levels



Net worth shares



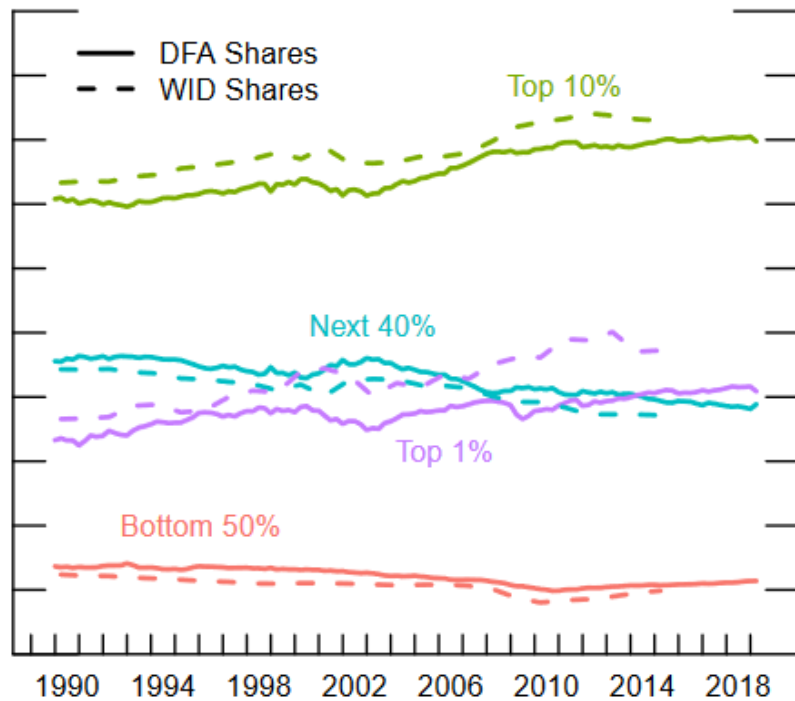


Website: <https://www.federalreserve.gov/releases/efa/efa-distributional-financial-accounts.htm>



Appendix: Wealth Concentration Measures from the DFAs and WID

Wealth Shares



Gini Coefficients

