Saving Behavior across the Wealth Distribution

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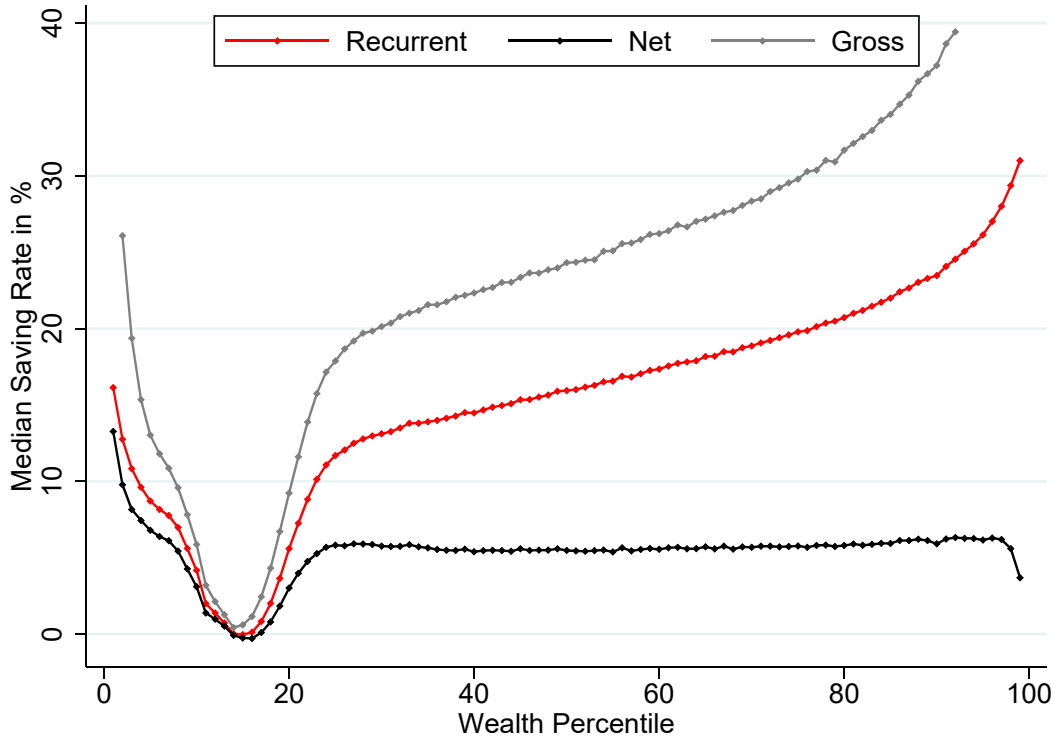
Introduction

- Very interesting project! Mainly empirical (at least for now)
- Use Norwegian administrative data to examine saving behavior across the wealth distribution.
- Little is known about empirical saving behavior across wealth distb'n. One of first studies in the literature.

What they do



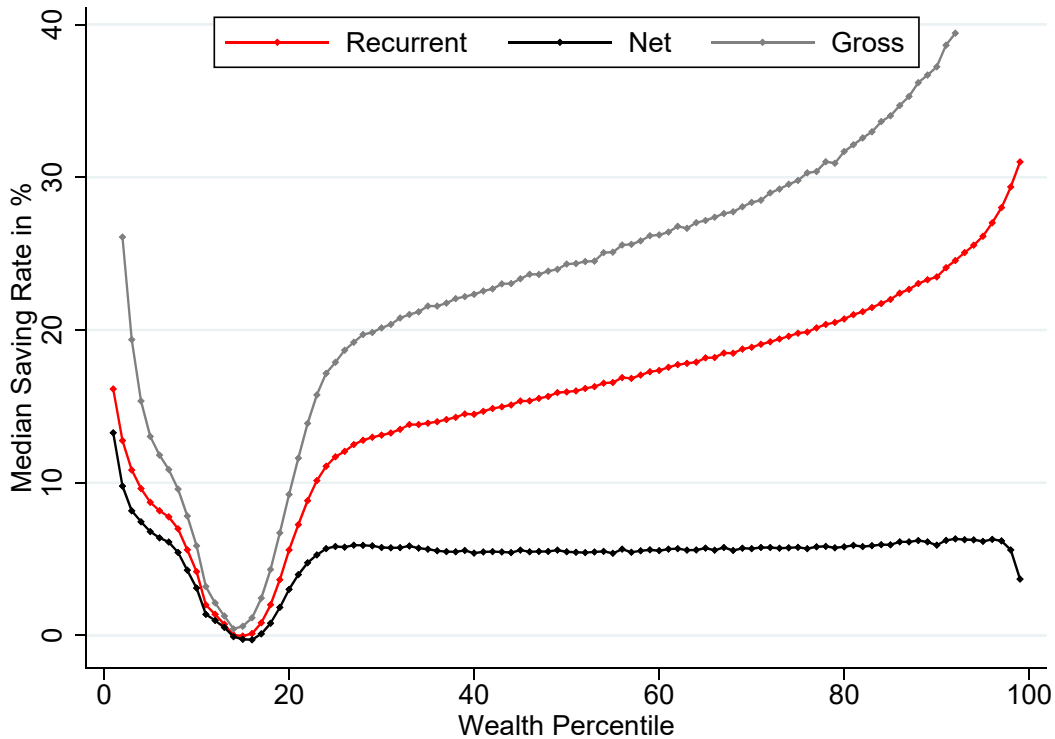
Net saving = saving out of net (capital + labor) income

Gross s. = net saving + capital gains

Recurrent s. = net saving + systematic capital gains

Saving rate = saving/income

Main finding: the Saving Swoosh



1. Saving rates quite heterogenous across wealth distb'n.
2. Saving rate $\downarrow$ in wealth if wealth < 0 and $\uparrow$ in wealth otherwise.
3. Comparison of gross (or recurrent) and net saving rates suggests wealthy save at higher rates because of capital gains.

Main finding: the Saving Swoosh

Seems like the swoosh is fairly robust:

- It is not driven by correlation of wealth with age, education, income:

  It is there after controlling for age, education and income.

- It is there in good years and bad years.

Why care about the Swoosh?

Two key implications of the Swoosh highlighted by authors:

- Macro: in workhorse models, individual savings are linear in wealth $\Rightarrow$ Wealth distb'n not important for aggregate saving.

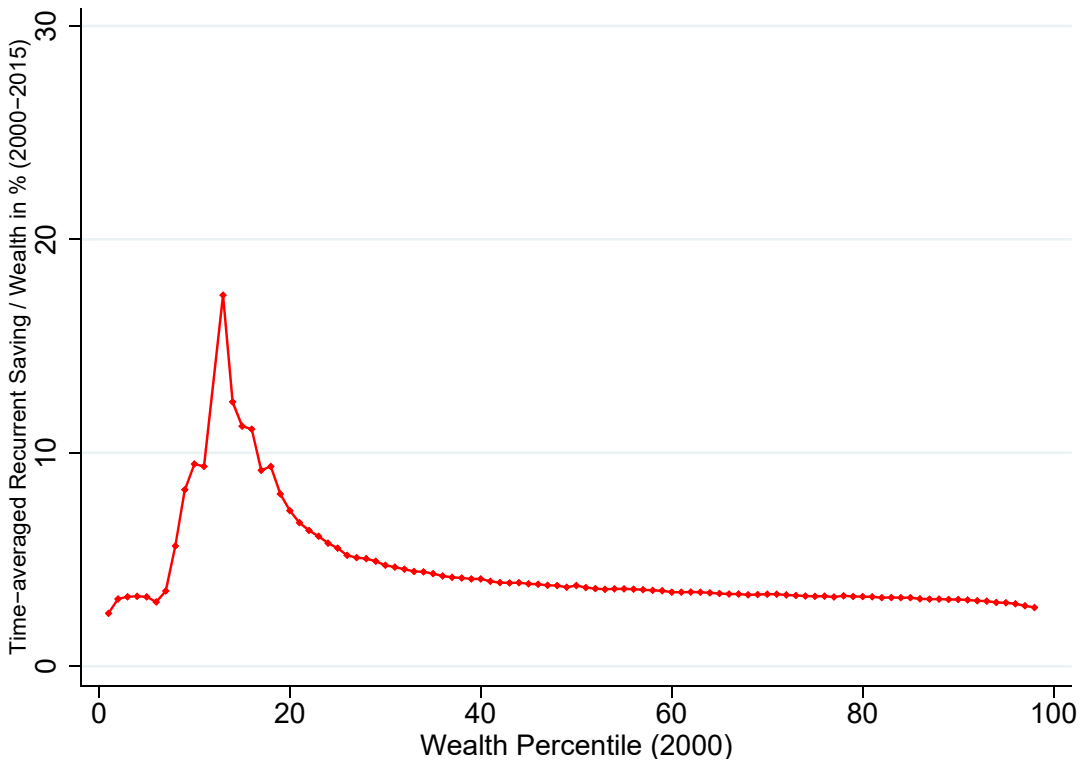
  Swoosh $\Rightarrow$ individual savings not linear in wealth $\Rightarrow$ Wealth distb'n important for aggregate saving $\Rightarrow$ Aggregation lost.

- Inequality: Saving rate $\uparrow$ in wealth $\Rightarrow$ Heterogeneity in saving behavior might be contributing to wealth inequality.

Comments

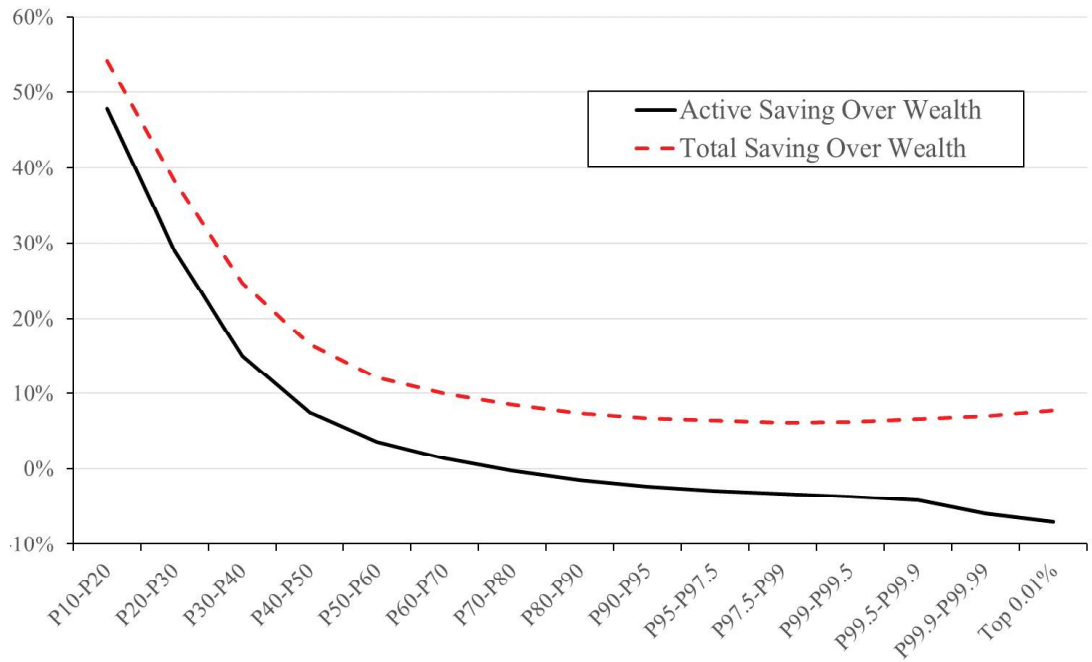
Macro implication not obvious (to me).

- Recall: aggregation achieved if saving is linear in wealth.
- Figure below which is from current paper indicates this linearity may be true for people who hold almost all wealth.



Comments

- This is in line with Bach-Calvet-Sodini (who use Swedish data)



Bach-Calvet-Sodini Figure 4

Comments

- Can you test for aggregation more directly?
- Perhaps you can construct empirical saving policy functions and see if they are approximately affine in wealth.

Additional comments

- You can use panel aspect of data more.

  Ex: Measure wealth mobility.

- How do saving rates along the wealth distb'n react to the business cycle?

- Saez-Stantcheva (2016): elasticity of capital holding w.r.t. capital tax is key for optimal capital tax rate.

  If there have been changes in capital tax rates during data period, you can perhaps estimate this elasticity (or elasticities) along the wealth distb'n.