Definitions of Supplemental Wealth Series in Table 3

Matthew Smith, Owen Zidar, and Eric Zwick

August 24, 2022

1 Overview

This document provides definitions for each of the series found in Table 3 in the paper, "Top Wealth in America: New Estimates under Heterogeneous Returns."[1] The same 17 series are presented in Tables 3A, 3B, 3C, and 3D, which summarize top wealth shares and per-capita wealth in 2016, growth in top wealth shares through 2016, top portfolio shares in 2016, and growth in top portfolio shares. In Table 3B, the growth through 2016 is presented with respect to four different reference years:

- The first year of our series (1966)
- The nadir of top wealth shares (1978)
- The first year of the SCF (1989)
- The first year for our information-returns approach for pass-through and fixed income (2001)

2 Definitions of Series

The definitions for each of the series presented in Table 3 are as follows:

2.1 Benchmark Series

- `Baseline` - Our main estimates from the paper, which scale aggregates to match those in the revised Saez and Zucman series from 2020

[1]For any additional information, please contact Eric Zwick (`ezwick@chicagobooth.edu`), Matt Smith (`matthewsmmith@treasury.gov`), or Owen Zidar (`ozidar@princeton.edu`).

- `Equal Returns` - Estimates under the assumption of equal returns within asset class. Follows Saez and Zucman's "Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data" (2016, henceforth SZ), but does not use the mixed method for ranking individuals and allocates money market mutual funds along with other fixed income assets. Equal splits wealth for married tax units to construct an individual-based series.

- `Revised Saez Zucman (2020)` - Estimates from Saez and Zucman's "Trends in US Income and Wealth Inequality: Revising After the Revisionists" (2020, henceforth SZ20)

- `Piketty Saez Zucman (2018)` - Estimates from Piketty, Saez, and Zucman's "Distributional National Accounts: Methods and Estimates for the United States" (QJE, 2018, henceforth PSZ). Follows SZ but equal splits tax units to construct an individual-based series.

2.2 Alternative Aggregates

- `Unscaled Pass-through` - Replaces the Financial Accounts aggregates from Revised SZ with unscaled aggregates from our bottom-up partnership and S-corporation approach and and uses a combined partnership-plus-sole-proprietorship capitalization factor for proprietor's income (following PSZ)

- `Missing Pass-Through` - Adds estimates of missing S-corporation and partnership wealth using underreported income from Auten and Splinter (2019)

- `Unfunded Pensions` - Adds unfunded defined benefit pension wealth to our pension model following Sabelhaus and Volz (2019)

- `Debt Adjustments` - Removes vehicle debt and scales credit card balances to exclude convenience-use credit

- `No Student Debt` - Removes student debt from the non-mortgage debt total

2.3 Forbes Augmentation

- `BHV Reweighting` - Follows Bricker, Hansen and Volz (2019) by blending Forbes observations into the tax data and adjusting sampling weights to account for overlap. For non-pass-through wealth components, we then scale non-Forbes aggregates to ensure the total matches the Financial Accounts.

- `Replace Top 400` - Replaces the richest 800 individuals with the Forbes 400 after equally splitting wealth. For non-pass-through wealth components, we then scale non-Forbes aggregates to ensure the total matches the Financial Accounts.

2.4 Robustness Series

- `Bond Split` - Follows the equal-returns approach of SZ and PSZ by separately allocating money market mutual funds in proportion to dividends and bond mutual funds in proportion to taxable interest
- `Low Boutique` - Sets the boutique interest rate in our information-returns approach to the minimum of either the estimated boutique rate or the 5%-confidence-level top-0.1% interest rate in our CMD-based approach (equal to 3% in 2016)

3 Specifications

Several of the supplemental series are presented according to multiple different specifications. For example, the BHV Reweighting series is presented as an augmentation to the baseline series; to the series with unscaled and missing pass-through wealth; and to the series with unscaled and missing pass-through wealth, unfunded pensions, and debt adjustments. Refer to the definitions in Table 3 to select the desired series for your application.