

**The Development of Aggregate  
Private Wealth  
and its Distribution  
in Germany since 1970**

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# The Development of Aggregate Private Wealth and its Distribution in Germany since 1970

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## 1 Introduction

The wealth of private households is one possible indicator for the prosperity of a society and its individual members. However, the measurement of the prosperity of societies is primarily based on income. Three characteristics of income can be put forward as reasons for this: First, income can be used directly as a flow variable to cover essential needs. Secondly, income is a quantity which can be determined more simply than other indicators that also affect the prosperity of a society (like health or contentedness, for example). And thirdly, income is a variable for which a relatively large number of data surveys exist.

The analysis presented here, however, can yield supplementary information through its examination of the wealth of society on the level of private households and, in particular, its distribution. Because in many cases existing wealth is a stock variable that can be sold and thus used as income and/or income replacement if the necessity arises to satisfy essential needs, assets consequently constitute an additional potential reserve.<sup>1</sup>

The objective of the paper presented here is to show the trends in the aggregated wealth of private households in Germany since 1970 on the basis of two independent data sources. Furthermore, the distribution of net wealth within the households is to be examined, in order to investigate the question of whether there has been a tendency in the past thirty years toward a more even, or, rather, a more uneven distribution of wealth in the household sector in Germany.

However, compared with the data on income, the information base on wealth and its distribution is poor and hardly developed. Thus the two data sources used here are the only ones available for the Federal Republic of Germany for the examination of longer periods:

First, there are the results of the aggregate economic financial accounting which is part of the national accounting system. This macro-economic investigation by the Deutsche Bundesbank

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<sup>1</sup> A detailed definition and investigation of the terms “income” and “wealth” may be found in Hauser 2001, 157ff.

portrays the financing processes of the economy as a whole. In addition, stock values are specified for individual kinds of assets held by private households, which can give information on the aggregation of wealth in this sector.<sup>2</sup>

Secondly, the data sets of the Income and Consumption Surveys (*Einkommens- und Verbrauchsstichproben*, EVS) of the Federal Statistical Office can be used for analyses on the micro-economic level. Section 3.1 will deal with the characteristics of this data source.

Altogether it must be noted that the statistical databases attain only limited validity, since they do not measure the entire wealth of private households. Because different authors use different conceptions of wealth, their results can be compared only carefully.<sup>3</sup> Nevertheless, this paper will attempt to show the trends in the wealth of private households in Germany over the last thirty years.

## **2 Results of the Financial Accounting of the Deutsche Bundesbank**

The Deutsche Bundesbank determines values for the wealth of private households on the macro-economic level. These results are part of the financial accounting of the Deutsche Bundesbank and are given as stock values for individual years. The problem here is that the sector of private households was defined differently over the course of the period; also, not all individual kinds of wealth were shown (see the note on table 1). For this reason the time series presented here in table 1 ends in the year 1997.

In table 1 the wealth of the private households in the Federal Republic of Germany is presented for the period from 1970 to 1997. From this it becomes clear that the gross wealth of about 1.5 trillion DM in 1970 rose to nearly 14 trillion DM in 1997. Thus, in this period of 27 years, gross assets nominally increased by 9.03 times.

The liabilities of private households - consisting of consumer debt and debts for house construction - rose from 200 billion DM to 1.8 trillion DM during this period. Thus liabilities grew on a scale approximately corresponding that of gross assets. The ratio of debt to gross wealth remained relatively constant during the period at approximately 13 per cent.

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<sup>2</sup> Cf. Heinelt 1994, 130ff.

<sup>3</sup> Ring 2000, 201ff. gives a comprehensive overview of publications up to the year 1997 which concern the wealth of private households.

Accordingly, net wealth also increased 9.08-fold from 1970, such that in the last year listed the sum of the net wealth of private households reached nearly 12.1 trillion DM. Thus the annual increase amounted to about 8.5 per cent.

**Table 1:** Wealth of private households in the Federal Republic of Germany from 1970 to 1997 on the basis of the financial accounting of the Deutsche Bundesbank

Wealth of private households					
	in billion DM <sup>1</sup>				
Year of reference	1970 <sup>a6</sup>	1980 <sup>a6</sup>	1990 <sup>b</sup>	1993 <sup>b</sup>	1997 <sup>b</sup>
Property wealth <sup>2</sup>	811	2,402	5,082	6,055	7,092
Consumer durables <sup>3</sup>	209	617	1,123	1,399	1,618
Monetary wealth <sup>4</sup>	518	1,475	3,077	3,933	5,176
= Gross wealth	1,538	4,494	9,281	11,388	13,885
- Debts <sup>5</sup>	207	615	1,072	1,343	1,793
= Net wealth	1,331	3,879	8,209	10,045	12,092

1 The values for 1990, 1993 and 1997 refer to unified Germany.

2 Housing (after consideration of depreciation) and proportional ownership of real estate evaluated at replacement prices.

3 Evaluated at replacement prices less depreciation.

4 Including securities evaluated at current rates.

5 Consisting of consumer debt and debts for house construction.

6 The values also cover private non-profit organizations in these years.

*Note:* The more recent results of financial accounting for the year 1999 also contain the more extensive commercial wealth and associated liabilities. The results for the year 2000 do not show values for real estate. For reasons of comparability these more current data are not listed.

*Source:* a) Deutsche Bundesbank 1993, 31 and b) Deutsche Bundesbank 1999, 43.

A look at the shares of individual kinds of assets in gross wealth shows relatively high stability from 1970 to 1997. As such, the share of gross wealth consisting of property assets amounted to 52.7 per cent in the year 1970; at 51.1 per cent, the reference value was still at a comparably high level 27 years later. These percentages are a first indication of the great importance of property wealth for the total assets of private households in Germany. The second most important kind of assets constitutes monetary wealth. Here a slight increase in importance can be established over the investigation period. While the share of financial assets in gross wealth was still about 33.7 per cent in the year 1970, the analogous value in 1997 amounted to 37.3 per cent. Consumer durables, the third kind of wealth given here, were relatively insignificant at 13.6 per cent at the beginning of the investigation period and 11.7 per

cent at the end. This kind of wealth will not be included in the investigation based on the Income and Consumption Surveys presented below.

Thus, from a purely macro-economic perspective, a substantial increase in the total wealth of private households can be seen. This trend is characterized by high structural constancy with regard to individual kinds of wealth.

Net wealth increased substantially in the last years of the period, not only nominally, but also as compared to gross national product and/or national income (table 2).

**Table 2:** Net wealth of private households in comparison to gross national product and to national income in the Federal Republic of Germany from 1970 to 1997

	In billion DM <sup>1</sup>			
Year of reference	1970 <sup>2</sup>	1980 <sup>2</sup>	1993	1997
Net wealth	1,331 <sup>a</sup>	3,879 <sup>a</sup>	10,045 <sup>b</sup>	12,092 <sup>b</sup>
Gross national product <sup>c</sup>	676	1,477	3,249	3,659
National income <sup>c</sup>	530	1,140	2,456	2,766
Ratio of net wealth to gross national product	1.97 : 1	2.63 : 1	3.09 : 1	3.30 : 1
Ratio of net wealth to national income	2.51 : 1	3.40 : 1	4.09 : 1	4.37 : 1

<sup>1</sup> The values for 1993 and 1997 refer to unified Germany.

<sup>2</sup> The values of net wealth cover private non-profit organizations.

*Note:* The data are nominal values. Gross national product corresponds to gross national income, and national income to net national income at factor costs (Statistisches Bundesamt 2000, 16f).

*Source:* a) Deutsche Bundesbank 1993, 31, b) Deutsche Bundesbank 1999, 43, c) Statistisches Bundesamt 1999, 666.

From table 2 it can be recognized that the ratio of net wealth to gross national product still amounted to 1.97:1 in the year 1970. Twenty-seven years later, capital stock is determined at a ratio of 3.30. The same trend, with somewhat higher ratios, is apparent when net wealth is considered in relation to national income. The corresponding value was 2.51:1 at the beginning of the investigation period; then net wealth reached a value 4.37 times higher than national income in 1997.

These values can be interpreted as evidence of a substantial accumulation of savings since 1970 as well as real increases in the value of the wealth of private households.

However, these outcomes do not provide any indication of whether all households in Germany were able to profit from this development. To answer this question, details of the results of the Income and Consumption Surveys of the Federal Statistical Office are presented in the following section.

### **3 Results of the Income and Consumption Surveys**

#### **3.1 The Income and Consumption Surveys as a Data Source**

The Income and Consumption Surveys of the Federal Statistical Office of Germany have been conducted at five-year intervals since 1962/1963. The survey centers on questions about all income and expenditure. In later years it includes the assets of private households. The objective of the EVS is to determine information for the evaluation of the income situation, the financial circumstances and the consumption conditions of the entire population.

Willingness to participate in the survey is not equally high for all subpopulations. Like the households of the self-employed, farmers and workers are less willing to participate than the households of officials or employees. Also, comparatively few single-person households are represented and few households with very low or very high income. In order to adjust for this central layer bias, raising factors are used which were calculated on the basis of a microcensus of 1% of the population.<sup>4</sup>

As a further problem it should be mentioned that not all subpopulations are included in the investigation. Institutionalized persons, the homeless and households with very high monthly net incomes are not subjects of the investigation.

For the last group mentioned the household number was so low that the Federal Statistical Office introduced a cut-off limit for the respective investigations.<sup>5</sup> The absence of this group of households in particular results in a lower measurement of net wealth in the EVS. This problem will be dealt with in a subsequent section.<sup>6</sup>

Also the problem still arises that the questions asked about wealth were not the same in each year of the survey. Market values of property assets, for instance, have been asked only since

<sup>4</sup> Cf. Statistisches Bundesamt 1994, 65ff. and Statistisches Bundesamt 1997, 7ff.

<sup>5</sup> This cut-off was raised over the course of time. For the EVS 1973, it was about 15,000 DM; in 1978, 20,000 DM; in both 1983 and 1988, 25,000 DM; and 1993 and 1998, 35,000 DM (Statistisches Bundesamt 1994, 17 and Hauser/Stein 2001, 160).

<sup>6</sup> Cf. Hauser/Stein 2001, 40.

1993. In the context of earlier surveys, only a rateable value relevant for taxation was determined, which a number of authors transformed into market values by means of a conversion factor.<sup>7</sup>

Finally, productive wealth is determined only to a relatively minor extent. In the last three surveys, for instance, it was considered only in the form of the current value of quoted shares. However, productive wealth is distributed especially unequally. In the final result, this leads to an underestimation of the inequality of the distribution of wealth in the investigations presented here.<sup>8</sup>

All in all, direct comparison of the analyses generated on the basis of the EVS to date is possible only to a limited degree. For instance, divergent conceptions of wealth and varying conversion factors are used by different authors. In the context of this paper an effort is made to use results that are as comparable as possible. Furthermore, many investigations refer to only one year of the EVS and are dedicated to a special topic.<sup>9</sup>

However, since the year 2000 there have been a number of attempts to analyze the data of several years of the EVS through direct comparison. (Because the EVS is a cross-sectional survey, no panel analyses are possible). Especially worthy of mention are the studies by Schüssler et al. (2000), by the German Council of Economic Advisors (2000) and by Hauser/Stein (2001). All three investigations use narrowly defined concepts of wealth which concentrate particularly on financial assets and property assets (as discussed above, productive wealth is included at least in the form of quoted shares). While the study by Schüssler et al. refers to the years from 1978 to 1993, the investigations by the Council of Economic Advisors and of Hauser/Stein even use results of the 1998 EVS, thereby allowing first conclusions to be drawn about the trend in the former German Democratic Republic (GDR) after 1990 and thus after German reunification.

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<sup>7</sup> On the generation of a conversion factor to convert the rateable tax values for real estate and housing property into market values, reference should be made here, e.g., to Schломann 1992, 306 and to Schüssler et al. 2000, 71ff.

<sup>8</sup> This is stated by various authors, for example, by Mierheim/Wicke 1978, 68, Schломann 1992, 157ff. and Hauser/Stein 2001, 41ff.

<sup>9</sup> Here the reader is referred to a number of such investigations: Mierheim/Wicke 1978, Miegel 1983, Schломann 1992, Thiele 1998, Ring 2000 and publications of the Federal Statistical Office and/or its coworkers. A selection of past analyses of the wealth of private households in the Federal Republic of Germany on the basis of the EVS is presented in Hauser/Stein 2001, 193ff.

### 3.2 The trend in total values of wealth<sup>10</sup>

In table 3 the trend in the total value of net wealth in private households is represented on the basis of data from the Income and Consumption Surveys. According to this database, an increase can be established from 2.2 trillion DM in the year 1973 to 8.3 trillion DM 25 years later. In the following section two different aspects will be discussed in particular.

**Table 3:** Net total wealth of private households in the Federal Republic of Germany from 1973 to 1998 on the basis of Income and Consumption Surveys

	In billion DM				
Year of reference	1973 <sup>a</sup>	1983 <sup>b</sup>	1988 <sup>c</sup>	1993 <sup>c</sup>	1998 <sup>c</sup>
Total wealth	2,207	3,601	3,881	7,664	8,314

*Note:* The wealth concept used in the investigations encompasses gross monetary and gross property wealth less debts for consumer debt and debts for housing construction. Consumer durables are not included in the wealth calculation. Productive wealth was considered in the author's own calculations only in the form of quoted shares. Schüssler et al. in part additionally estimated the business wealth of the self-employed. Mierheim/Wicke converted productive wealth into market values on the basis of rateable tax values. These authors determine a share of productive wealth in gross total assets of approximately 10 per cent (Mierheim/Wicke 1978, 199).

*Source:* a) Mierheim/Wicke 1978, 60, b) Schüssler et al. 2000, 38 and 76 (own calculations), c) Own calculations on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy.

First of all, the value of total net wealth in 1998 amounted to only 3.8 times the value of 1973. As a reminder, again reference is made here to the fact that the Deutsche Bundesbank showed an increase of 808 per cent for the period from 1970 to 1997. Secondly, wealth measured by the EVS for the year 1993 amounted to 7.7 trillion DM. However, table 1 shows that net assets reached a value of over 10 trillion DM according to the Deutsche Bundesbank. Even if we subtract the assets of consumer durables not included in the EVS data, at a value of 1.4 trillion DM, a difference of nearly 1 trillion DM still remains.

How can the two effects described be explained?

On the one hand it can be assumed that the net assets measured by the EVS are lower than the actual value. This is due to the method of data acquisition, as the data are provided on a voluntary basis. It might also be crucial, however, that the households with the highest incomes are excluded from the investigation and that these households have considerable wealth. On the other hand, the values determined in the 1973 investigation by Mierheim and Wicke appear high relative to the results of the Deutsche Bundesbank, which is probably due to the use

<sup>10</sup> Own calculations based on an 80% depersonalized subsample of the EVS.

of conversion factors set to a high level and to assumptions that were realized. Important to note here is that there is still a need for research in this field.

In table 4, the totals are presented for only two kinds of wealth, net monetary wealth and net property wealth, on the basis of EVS data since 1973. Here, too, a distinction was made between West and East Germany for the years 1993 and 1998, in order to allow a separate analysis for each region.

Again, it is recognizable here that property wealth plays a central role in furnishing private households with wealth. The share of net property wealth in total wealth reached its highest level in West Germany in the year 1983, at 78 per cent and since then has decreased continuously, reaching 72 per cent in 1998. Accordingly, the importance of financial resources has increased slightly.

This trend is also established in the new Länder of the Federal Republic. Here, however, the financial resources reached not a share of 28 per cent as in West Germany, but rather 39 per cent of the sum of net monetary and net property wealth, and this tendency was rising. However, it remains striking that in 1998 East German households held just over 8.7 per cent of the entire net monetary and net property wealth in the Federal Republic of Germany, although these households constituted about 19 per cent of the population.

Table 5 shows the average net monetary and net property wealth as well as their total per household for the survey years from 1973 through 1998.

In this table can be recognized that dramatic increases in total net monetary and net property wealth occurred in West Germany between 1973 and 1993. The average values per household rose from 87,500 DM to 255,300 DM, or about 5.5 per cent per year. Remarkable, however, is the relatively small increase in average values since 1993: in these five years average wealth rose a total of around three per cent. This corresponds to an annual increase of only 0.6 per cent.

**Table 4:** Net monetary wealth and net property wealth of private households in the Federal Republic of Germany from 1973 to 1998 on the basis of Income and Consumption Surveys

	Net monetary and net property wealth						
Year of reference	1973 <sup>a</sup>	1983 <sup>b</sup>	1988 <sup>c</sup>	1993 (West) <sup>c</sup>	1998 (West) <sup>c</sup>	1993 (East) <sup>c</sup>	1998 (East) <sup>c</sup>
Net monetary wealth in billion DM	625	796	987	1,850	2,110	165	262
Net property wealth in billion DM	1,312	2,805	2,894	5,312	5,537	337	406
Portion of monetary wealth in %	32.2	22.1	25.4	25.8	27.6	32.8	39.2
Portion of property wealth in %	67.8	77.9	74.6	74.2	72.4	67.2	60.8

*Note:* The comparatively small value of net property wealth for the year 1988 is explained by a low conversion factor of the rateable tax values into market values.

*Source:* a) Mierheim/Wicke 1978, 107 (own calculations), b) Schüssler et al. 2000, 38 (own calculations) and 76, c) Own calculations on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy.

**Table 5:** Average net monetary and net property wealth per household in the Federal Republic of Germany from 1973 to 1998 on the basis of Income and Consumption Surveys

	In billion DM					
Year of reference	1973 <sup>a</sup>	1988 <sup>b</sup>	1993 (West) <sup>b</sup>	1998 (West) <sup>b</sup>	1993 (East) <sup>b</sup>	1998 (East) <sup>b</sup>
Net monetary wealth	27,500	41,200	64,000	70,400	24,600	38,300
Net property wealth	60,000	120,900	183,700	184,900	50,500	59,500
Total	87,500	162,100	247,700	255,300	75,100	97,800

*Source:* a) Mierheim/Wicke 1978, 250f. (own calculations), b) Own calculations on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy.

The situation in East Germany appears quite different. Starting from a very low level (compared with West Germany) of 75,000 DM in the year 1993, the average net assets per household rose in just five years to nearly 98,000 DM, an increase of over 30 per cent. Thus households in East Germany reached only 29.4 per cent of the corresponding value in West Germany in the year 1993, but 38.3 per cent just five years later. Therefore a clear tendency can be recognized on the part of East German households to adjust their average household assets to those of West German households.

This adaptation tendency also becomes clear with respect to the rate of ownership of housing and real estate. Tables 1 and 4 demonstrated the importance of housing and real estate for private households in Germany. However, not every German household owns housing and real estate. This is shown in table 6, whereby in this case the figures for West Germany go back to the results of the first EVS in 1962/63.

A continuous increase in the rate of housing and real-estate ownership becomes apparent. The value in 1962/63 was 37.9 per cent and peaked at 50.7 per cent in 1993. This trend for West Germany did not turn around until 1998, when the ownership rate dropped to 49.1 per cent.

**Table 6:** Share of private households with housing and real estate from 1962/63 to 1998 in the Federal Republic of Germany on the basis of Income and Consumption Surveys

Year of reference	1962/ 1963	1969	1973	1978	1983	1988	1993 (West)	1998 (West)		1993 (East)	1998 (East)
Ownership rate in %	37.9	38.8	39.5	43.6	45.5	46.6	50.7	49.1		27.4	33.9

*Source:* Statistisches Bundesamt 1991, 37 (for the years 1962/63 to 1983) and own calculations on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy (for the years 1988 to 1998).

Two reasons for this declining development in West Germany are mentioned:<sup>11</sup> First, in the year 1993 it appears that many households in West Germany expected that real estate in the eastern Länder of the Federal Republic would be returned to them after reunification. However, such claims for restitution were not recognized to the extent expected in the following years. Second, there was a trend in the Federal Republic of Germany toward single-per-

<sup>11</sup> Cf. Münnich 1999, 210 and Schüssler et al. 2000, 88.

son households. Since these households have a below-average rate of ownership, they also affect the ownership rate for all households and lower the average.

Again the situation in East Germany developed differently. Here the ownership rate amounted to only 27.4 per cent in the year 1993, about 23 percentage points lower than the reference value in West Germany. In the years since 1993, however, the ownership rate of real estate has increased sharply. In the new Länder of the Federal Republic it now constitutes about 33.9 per cent. Here, again, a strong tendency can be observed toward adapting to conditions in West Germany.

The results of the real-estate ownership rates presented here directly affect the distribution of wealth in Germany, as will be described in the following section. This section will also be devoted to the question of whether all German households were able to participate in the substantial increases of net assets described above.

### 3.3 The inequality of the distribution of wealth

Table 7 presents the shares which particular quintiles of the population have in the total net wealth held by private households. This manner of representation indicates the share of total assets held by each 20 per cent of households, in ascending order of wealth. The description of West Germany begins in the year 1973 and ends in the year 1998.

What can be recognized here is that the first quintile has practically no assets at its disposal. On the contrary; in some years of the investigation the lowest 20 per cent of all households actually exhibited negative net total assets on average.

It must be pointed out, however, that consumer durables were not included within the conception of wealth used: Therefore it is certainly possible in many cases that consumer loans were included in the calculation of specified net assets, consequently leading to a decrease in net assets, while the consumer durables bought with these credits were not taken into consideration.

**Table 7:** Representation over quintiles of households of the distribution of the total net wealth of private households in the Federal Republic of Germany from 1973 to 1998, on the basis of Income and Consumption Surveys

Year of reference	Households' share of total net wealth in %						
	1973 <sup>a</sup>	1983 <sup>b</sup>	1988 <sup>c</sup>	1993 (West) <sup>c</sup>	1998 (West) <sup>c</sup>	1993 (East) <sup>c</sup>	1998 (East) <sup>c</sup>
1 <sup>st</sup> quintile	0.8	-0.2	-0.7	0.0	-0.3	0.3	-0.3
2 <sup>nd</sup> quintile	2.0	1.1	1.7	2.3	1.9	3.1	2.6
3 <sup>rd</sup> quintile	5.7	5.5	7.4	10.4	9.5	6.4	7.4
4 <sup>th</sup> quintile	13.5	23.5	24.7	26.3	25.9	15.4	19.8
5 <sup>th</sup> quintile	78.0	70.1	66.9	61.0	63.0	74.8	70.3

*Note:* The concept of wealth used in the investigations encompasses gross monetary and gross property wealth less consumer debt and debts for house construction. Consumer durables are not included in the wealth calculation. Productive wealth was considered in the author's own calculations only in the form of quoted shares. Schlomann and Mierheim/Wicke converted productive wealth into market values on the basis of rateable tax values. As this productive wealth is quite unequally distributed and is held primarily by households in the 5<sup>th</sup> quintile, this quintile's share of net total wealth listed here is higher than the value that resulted from the author's own calculations (Schlomann 1992, 157ff. and Mierheim/Wicke 1978, 68).

*Source:* a) Mierheim/Wicke 1978, 58, b) Schlomann 1992, 137, c) Own calculations on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy.

For the second quintile as well, it can be stated that these households hold only a relatively small share of total assets, somewhere in the range of approximately 2 per cent. For the observed period of 25 years as a whole, no substantial change occurs in the low proportion of total net assets for the two lower quintiles.

The situation for the third quintile is different. From 1973 to 1993 the share of 5.7 per cent nearly doubled to 10.4 per cent. Again, however, a slight stagnation to 9.5 per cent is established in the next five-year period. The next group of households, the fourth quintile, held a higher proportion of wealth than its 20 per cent population share. However, this has been the case only since 1983, although the fourth quintile's share increased substantially during the previous 10 years. While this share was still 13.5 per cent in 1973, it reached a level of 23.5 per cent in 1983. In the following 15 years no major change was apparent.

The fifth quintile possesses the predominant share of total wealth. At 78 per cent, this value was especially high in the year 1973. Afterwards this share declined sharply until 1993, when the fifth quintile's share amounted to just 61 per cent. In the following five years a slight re-

versal in this trend could be observed, such that this highest quintile again could claim 63 per cent of total assets by 1998.

For East Germany results are available only for the years 1993 and 1998. However, these results concur relatively strongly with the results for West Germany. Thus the lowest quintile has practically no wealth in East Germany, either. The second quintile achieved a minimum value of just 2.6 per cent in 1998. In contrast, the fourth quintile, at 19.8 per cent, attained a result corresponding to its quintile share of the population.

The East German households in the fifth quintile achieved still higher shares of total assets than their West German counterparts. Even though a slight decrease is observed in the period from 1993 to 1998, at 70.3 per cent, these values are nevertheless still comparatively high in 1998. As separate calculations showed, the concentration of financial resources in East Germany increased over the last five years.<sup>12</sup> The reduction in the fifth quintile's share of total assets shown here - and thus a trend in the opposite direction - is due to the more even distribution of real estate, especially as a result of the rise in rates of ownership in East Germany.

Finally, in table 8 the Gini coefficients of total net wealth on the household level are listed. This summarizing inequality measure represents the structure of the distribution of wealth in one unit of measurement.

The table shows that the Gini coefficients for West Germany have dropped sharply since 1973, from 0.748 to 0.622 in the year 1993. Afterwards this trend stopped and a more uneven distribution ensued, such that five years later the Gini coefficients rose again slightly to 0.640. The analogous values for East Germany are on a still higher level of inequality, whereby, again, the lower rates of ownership in the eastern Länder of the Federal Republic is of crucial importance. The decrease of the Gini coefficient values in East Germany, from 0.694 observed in 1993 to 0.676 in the year 1998, is again primarily due to the increase in ownership of housing and real estate.

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<sup>12</sup> Cf. Stein 2001, 3.

**Table 8:** Gini coefficients of total net wealth and household net income for households in the Federal Republic of Germany from 1973 to 1998

Year of reference	Gini coefficient on the household level						
	1973	1983	1988	1993 (West)	1998 (West)	1993 (East)	1998 (East)
Wealth	0.748 <sup>a</sup>	0.701 <sup>b</sup>	0.668 <sup>c</sup>	0.622 <sup>c</sup>	0.640 <sup>c</sup>	0.694 <sup>c</sup>	0.676 <sup>c</sup>
Income <sup>d</sup>	0.309	0.327	0.329	0.333	0.335	0.288	0.302

*Note:* The value of 0.748 obtained by Mierheim/Wicke is specified as the Lorenz concentration measure.

However, this corresponds to a similarly high Gini coefficient value of 0.748 (Kromrey 1998, 437).

*Source:* a) Mierheim/Wicke 1978, 59, b) Schlomann 1992, 139, c) Own calculations on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy, d) The calculation of the Gini coefficients for monthly net incomes on the household level were performed by Dr. Irene Becker on the basis of the EVS database of the Chair for Economics at the Goethe University of Frankfurt/Main, in particular the Program for Distribution and Social Policy. In contrast to this, the Gini values for the net equivalence incomes on the personal level in 1998 are approximately 0.26 in West Germany and 0.22 in East Germany and exhibit an increasing tendency since 1973 (Hauser/Becker 2001, 89 and 105).

Over all, the results of the Gini coefficient analysis thus confirm the conclusion that distribution is unequal, which was already apparent in the quintile table. This becomes particularly clear when the Gini coefficients for net wealth are compared with the values of the Gini coefficients for household net income also presented here.

#### 4 Summary

This investigation of the wealth of private households as a possible indicator for the prosperity of a society indicated a strong increase in wealth for the Federal Republic of Germany since 1970. This applies both to the macro-economic results of the financial accounting of the Deutsche Bundesbank and to the micro-economic results of the Income and Consumption Surveys of the Federal Statistical Office. However, substantial differences become clear in the content expressed by these two different sets of data.

While the financial accounting of the Deutsche Bundesbank shows an increase of net assets of around 808 per cent over 27 years (from 1.3 trillion DM in the year 1970 to 12.1 trillion DM in 1997), calculations on the basis of the Income and Consumption Surveys yield a corresponding value of only 280 per cent in a 25-year period, with a substantially lower overall

magnitude in later investigations (from 2.2 trillion DM in 1973 to only 8.3 trillion DM in 1998).

Investigation of the EVS data pointed out the great importance of property for the wealth situation of private households. However, not every household has property in the form of housing and real estate. In West Germany, ownership rates have increased substantially since 1962. However, since 1993 these rates have stagnated at about 50 per cent.

The analysis of the distribution of wealth for West German households yielded a decline in the concentration of wealth in the period from 1973 to 1993, both in terms of the shares of total wealth held by individual quintiles of households, and as expressed by the Gini coefficients. However, this trend did not continue in the years between 1993 and 1998. For the year 1998 it can be determined that the lowest 40 per cent of households in West Germany had practically no wealth, while the highest quintile claimed over 60 per cent of total assets.

For East Germany, strong tendencies are established toward adapting to the values in the West German Länder. This concerns first the absolute level of net assets, even though in 1998 these amounted to just 38 per cent of the analogous value in West German households, in terms of the average value per household. Similarly, the ownership rates of housing and real estate also rose dramatically after reunification. The inequality of the distribution of wealth in East Germany was reduced somewhat by this broader basis of real-estate ownership over the course of time, such that the Gini coefficient decreased slightly in the period from 1993 to 1998. However, it is also true for the new Länder in the Federal Republic that the lowest 40 per cent of households have practically no wealth, while the highest quintile of East German households claim over 70 per cent of total assets, even higher than its share in West Germany.

Furthermore, the distribution of wealth is remarkably congruous in East and West Germany. Both the distribution of wealth as expressed by the quintile values and the results of the Gini coefficients yield similar results, whereby the trend in both regions is toward convergence.

The similarity of these results must be regarded as nothing less than amazing, considering that the two regions followed different economic models for over forty years: the social free-market economy (*Soziale Marktwirtschaft*) in the Federal Republic of Germany, and the socialist planned economy (*Sozialistische Planwirtschaft*) in the German Democratic Republic.

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