

**Supplementary graphs & material
(not shown during lecture)**

Computing inheritance flow

$$B_t/Y_t = \mu_t m_t W_t/Y_t$$

- W_t/Y_t = aggregate wealth/income ratio
 - m_t = aggregate mortality rate
 - μ_t = ratio between average wealth of decedents and average wealth of the living (= age-wealth profile)
- The U-shaped pattern of inheritance is the product of three U-shaped effects

Figure 8: The ratio between average wealth of decedents and average wealth of the living in France 1820-2008

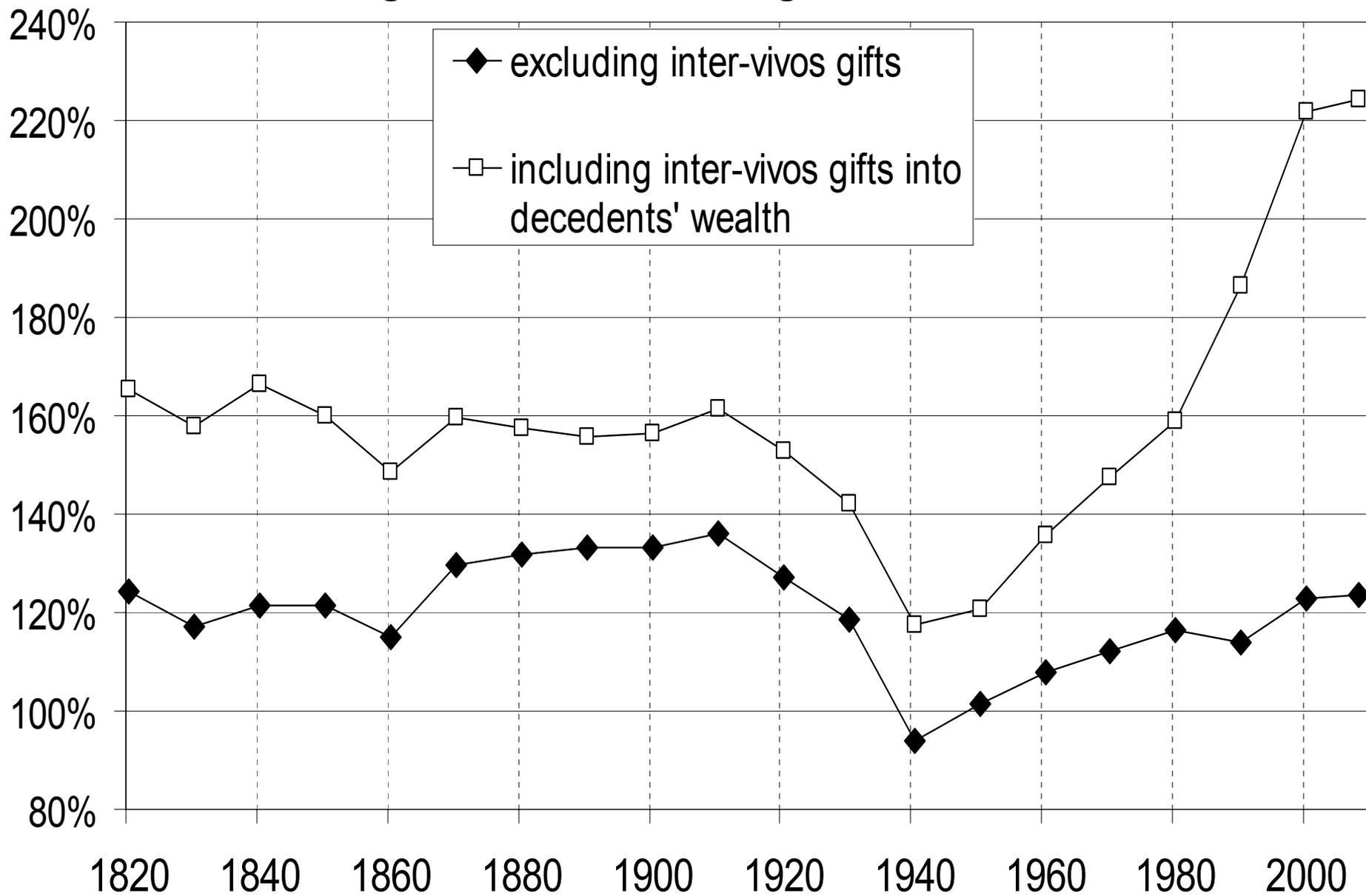


Table 2: Raw age-wealth-at-death profiles in France, 1820-2008

	20-29	30-39	40-49	50-59	60-69	70-79	80+
1827	50%	63%	73%	100%	113%	114%	122%
1857	57%	58%	86%	100%	141%	125%	154%
1887	45%	33%	63%	100%	152%	213%	225%
1902	26%	57%	78%	100%	172%	176%	233%
1912	23%	54%	74%	100%	158%	176%	237%
1931	22%	59%	77%	100%	123%	137%	143%
1947	23%	52%	77%	100%	99%	76%	62%
1960	28%	52%	74%	100%	110%	101%	87%
1984	19%	55%	83%	100%	118%	113%	105%
2000	19%	46%	66%	100%	122%	121%	118%
2006	25%	42%	74%	100%	111%	106%	134%

Figure 13: Labor & capital shares in (factor-price) national income, France 1820-2008

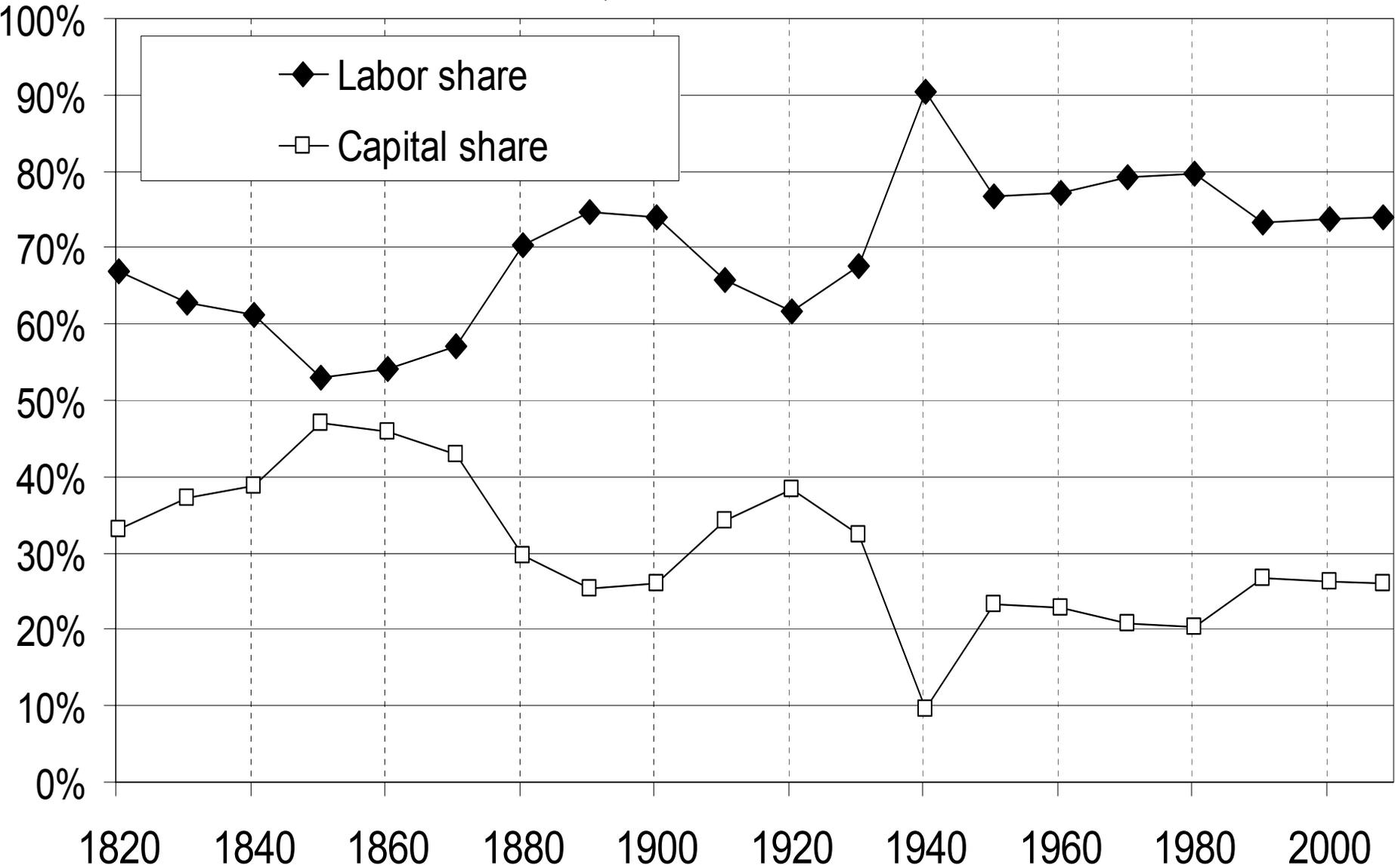


Figure 11: Private savings rate in France 1820-2008

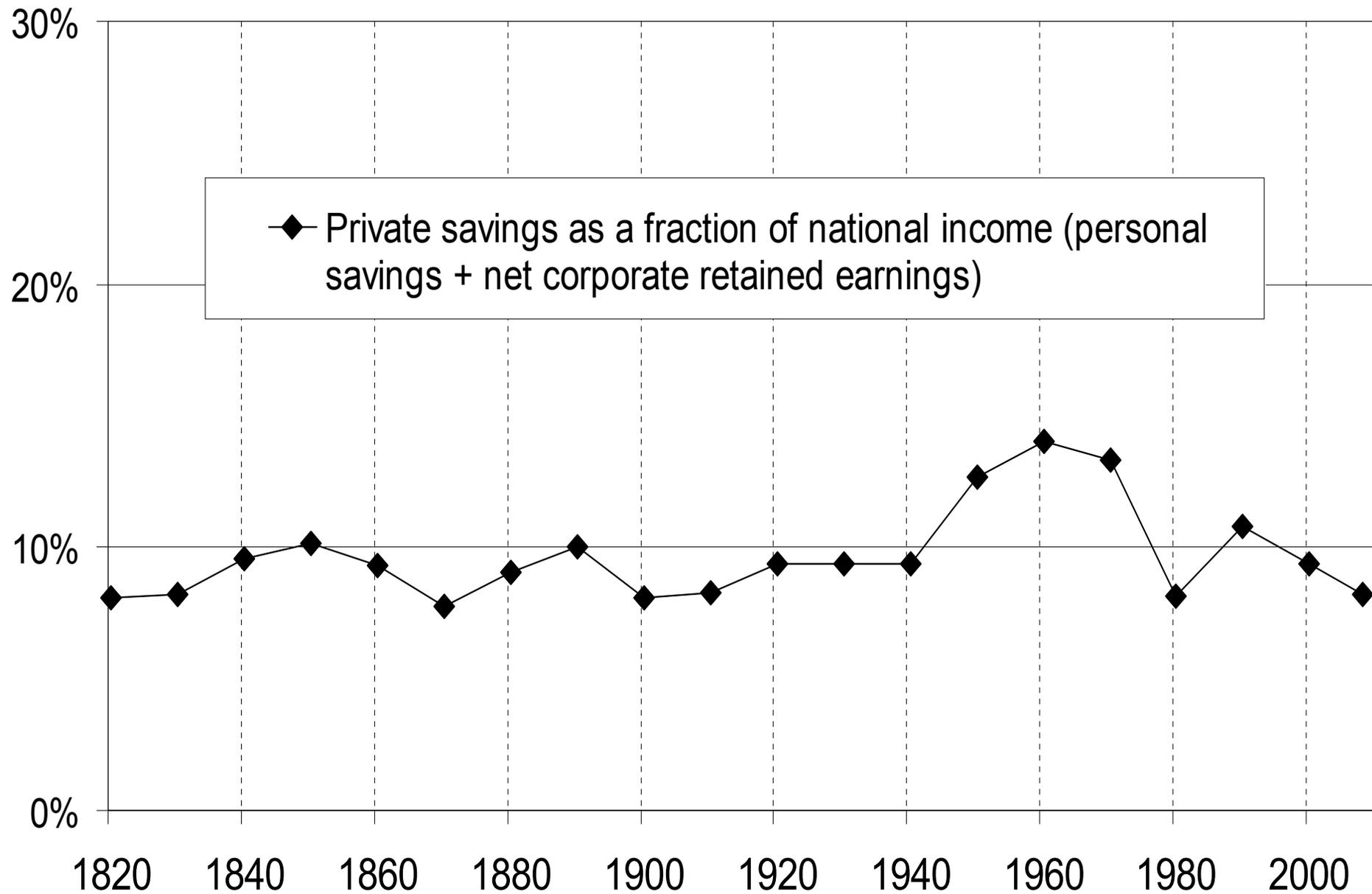


Figure 12: Observed vs simulated inheritance flow, France 1820-2050

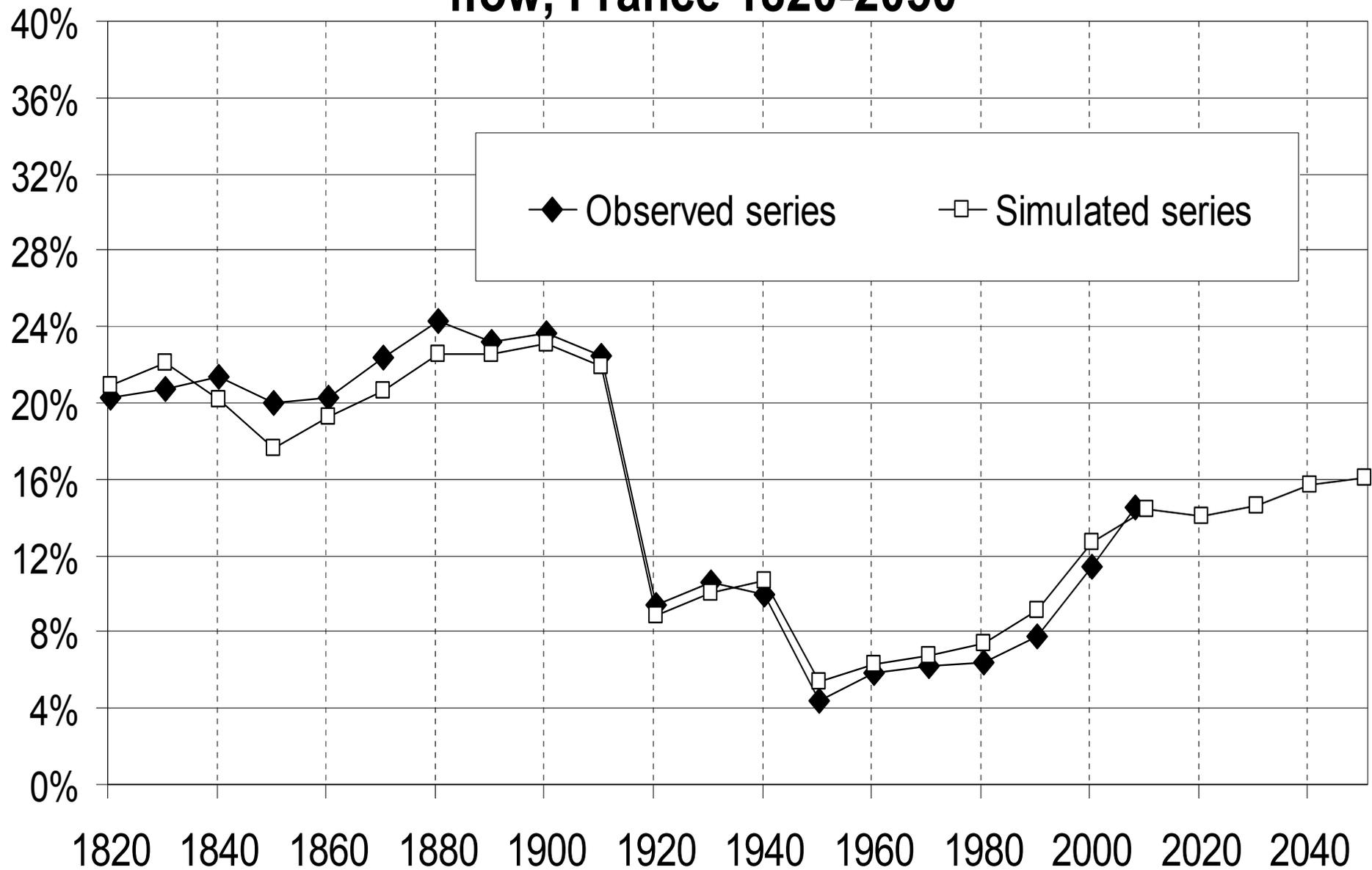


Figure 14: Rate of return vs growth rate France 1820-1910

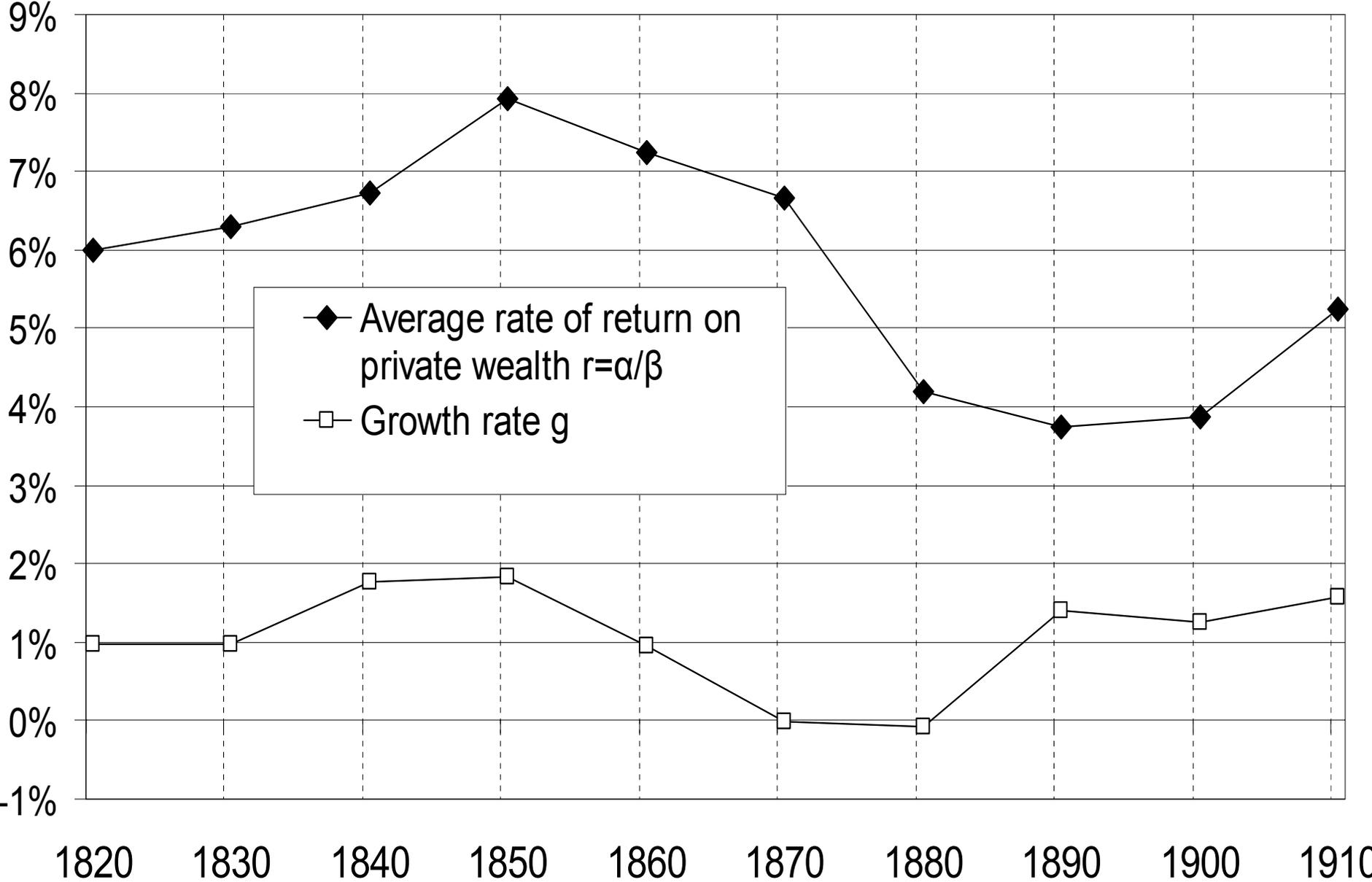


Figure 15: Capital share vs savings rate France 1820-1910

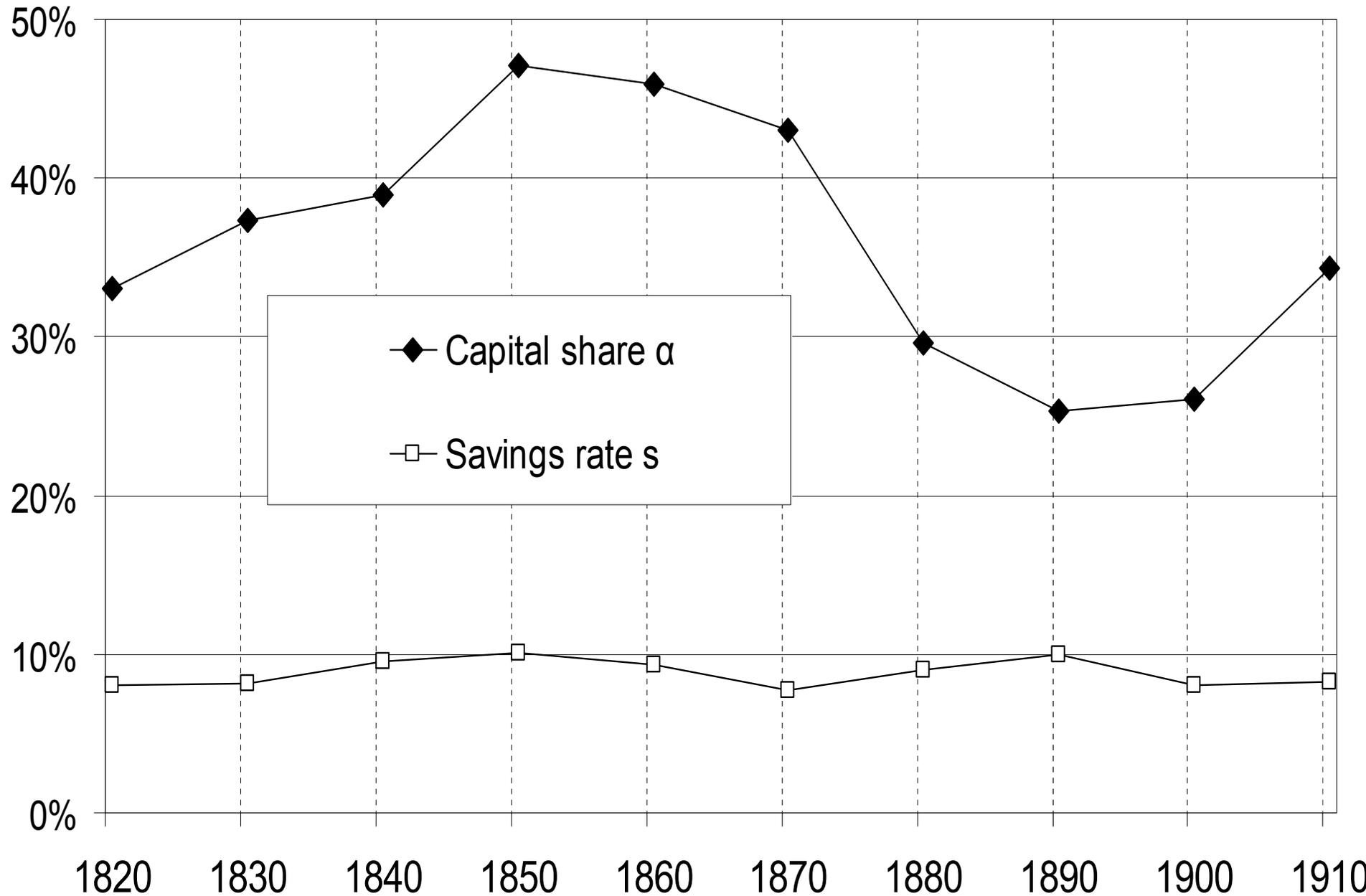
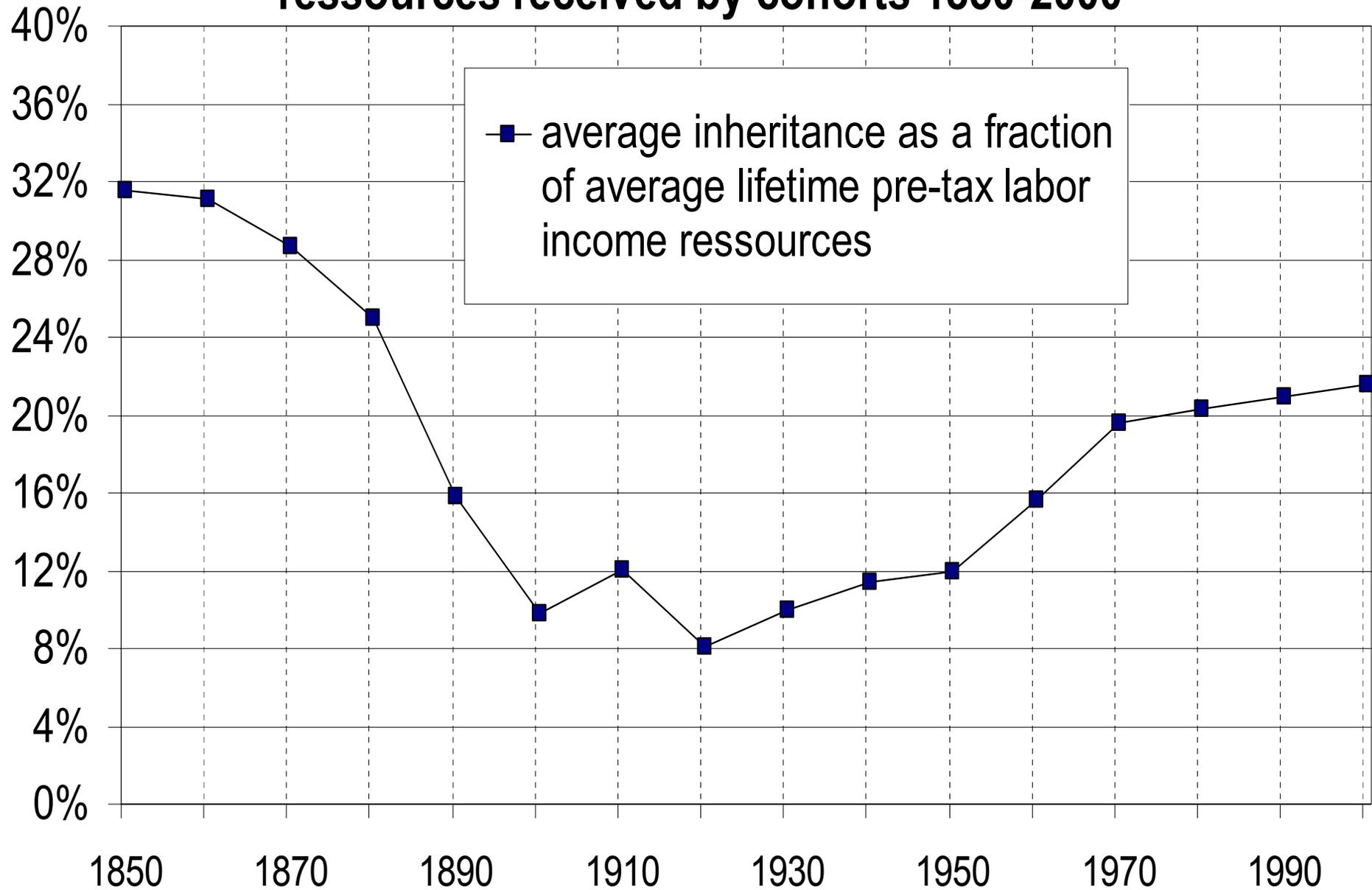


Figure 16: The share of inheritance in lifetime resources received by cohorts 1850-2000



Application to the share of inheritance in total wealth

- Modigliani AER 1986, JEP 1988: inheritance = 20% of total U.S. wealth
- Kotlikoff-Summers JPE 1981, JEP 1988: inheritance = 80% of total U.S. wealth
- Three problems: - Bad data
- **We do not live in a stationary world: life-cycle wealth was much more important in the 1950s-1970s than it is today**
- **We do not live in a representative-agent world → new definition of inheritance share**

Figure 20: The share of inheritance in aggregate wealth accumulation , France 1900-2050

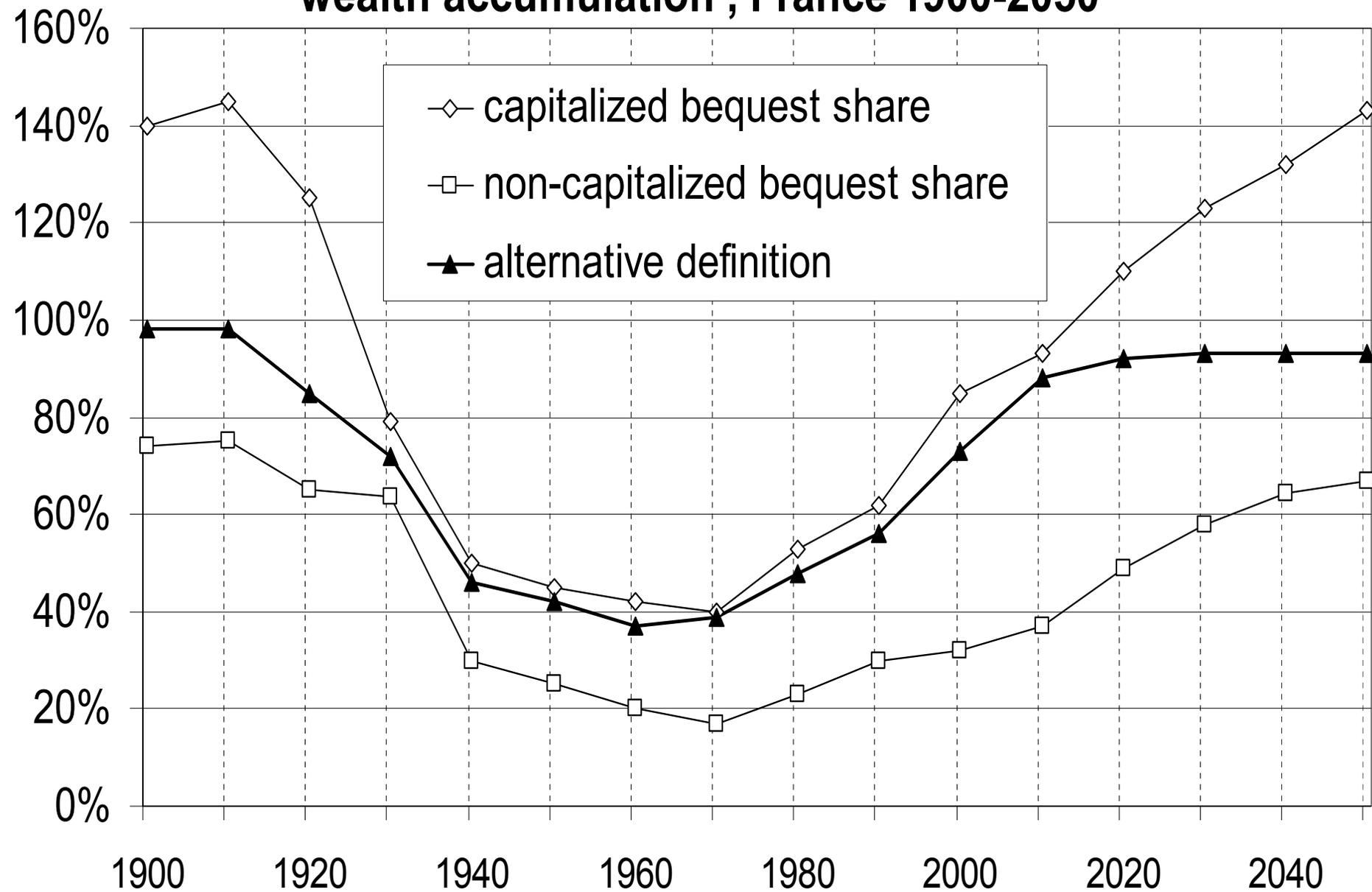


Table 1: Accumulation of private wealth in France, 1820-2009

	Real growth rate of national income g	Real growth rate of private wealth g_w	Savings-induced wealth growth rate $g_{ws} = s/\beta$	Capital-gains-induced wealth growth rate q	<i>Memo: Consumer price inflation</i> p
1820-2009	1,8%	1,8%	2,1%	-0,3%	4,4%
1820-1913	1,0%	1,3%	1,4%	-0,2%	0,5%
1913-2009	2,6%	2,4%	2,8%	-0,3%	8,3%
1913-1949	1,3%	-1,7%	0,7%	-2,4%	13,9%
1949-1979	5,2%	6,2%	5,4%	0,8%	6,4%
1979-2009	1,7%	3,8%	2,8%	1,0%	3,6%

Figure 5: Wealth/disposable income ratio France 1820-2008

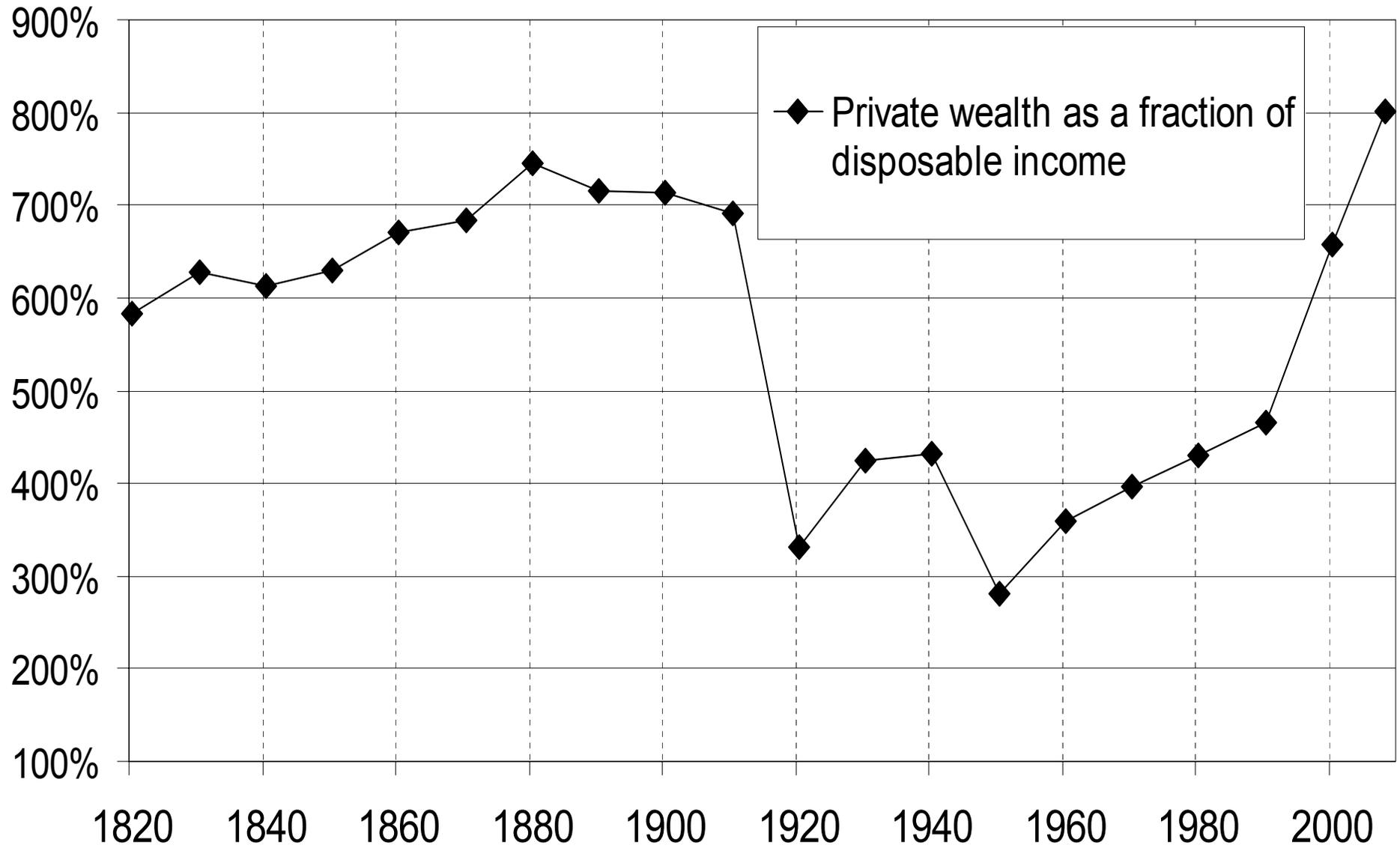


Figure 6: Mortality rate in France, 1820-2100

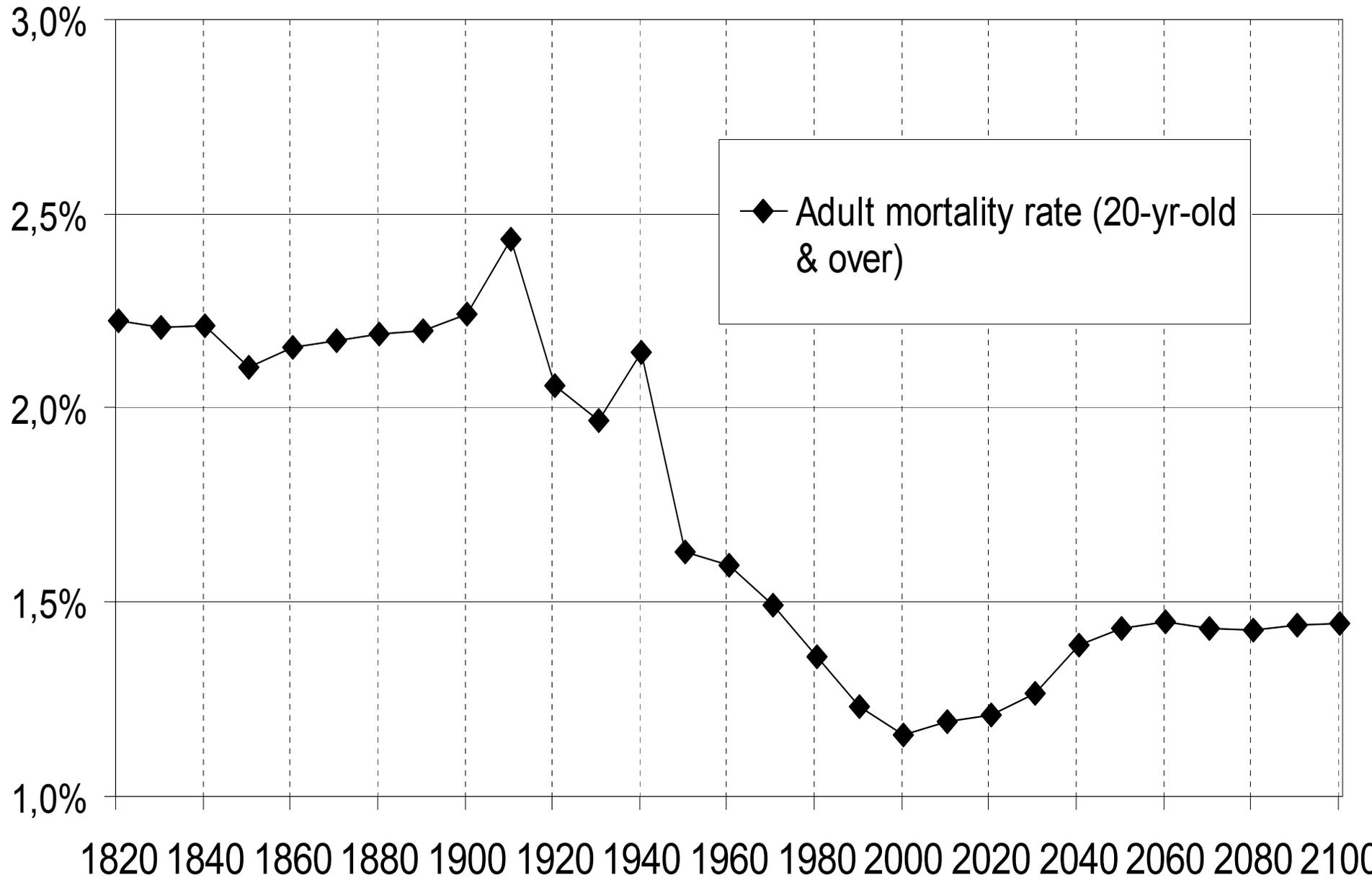


Figure 7: Age of decedents & heirs in France, 1820-2100

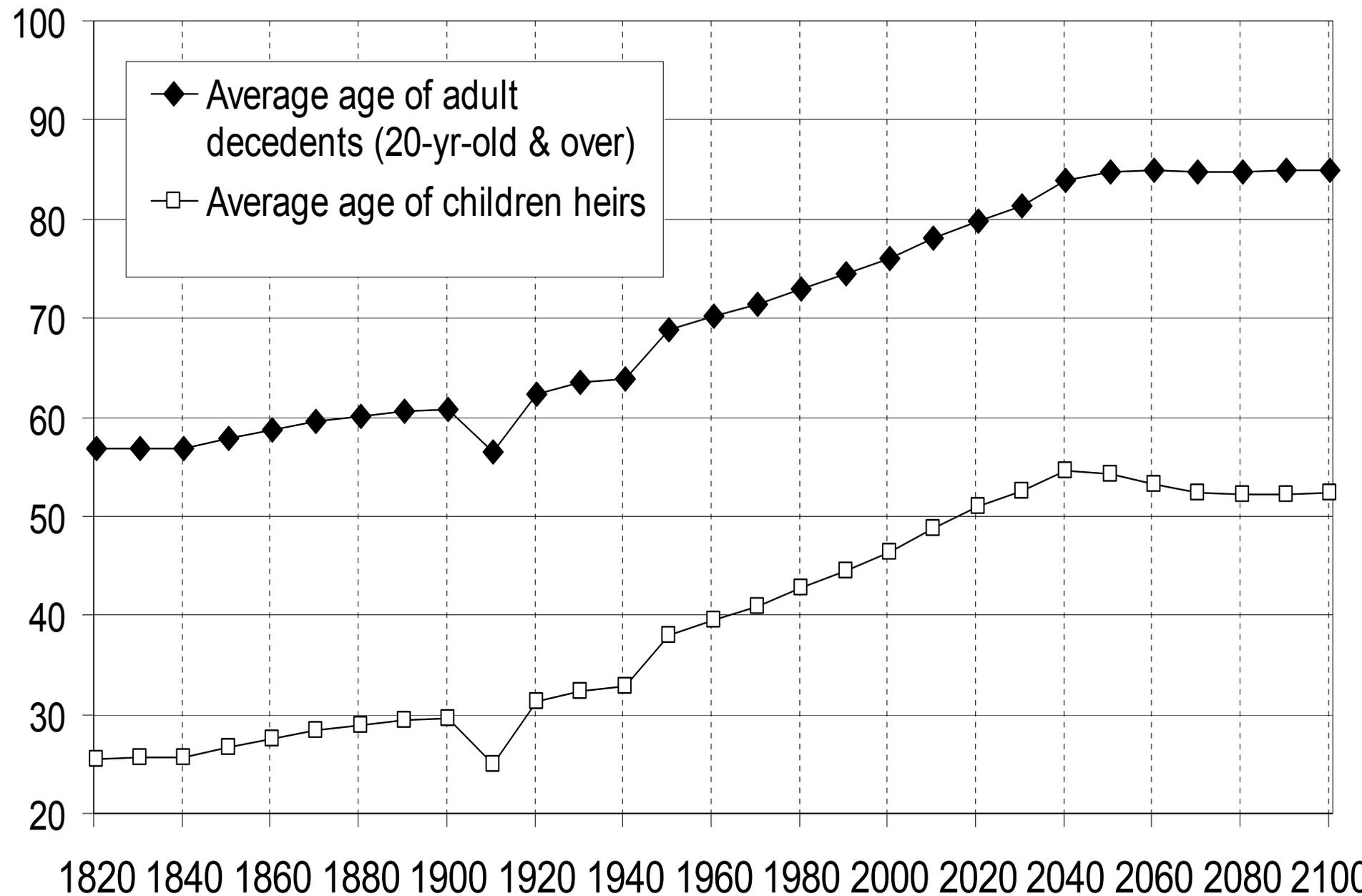


Figure A1: Annual inheritance flow as a fraction of national income, France 1900-2008 (annual series)

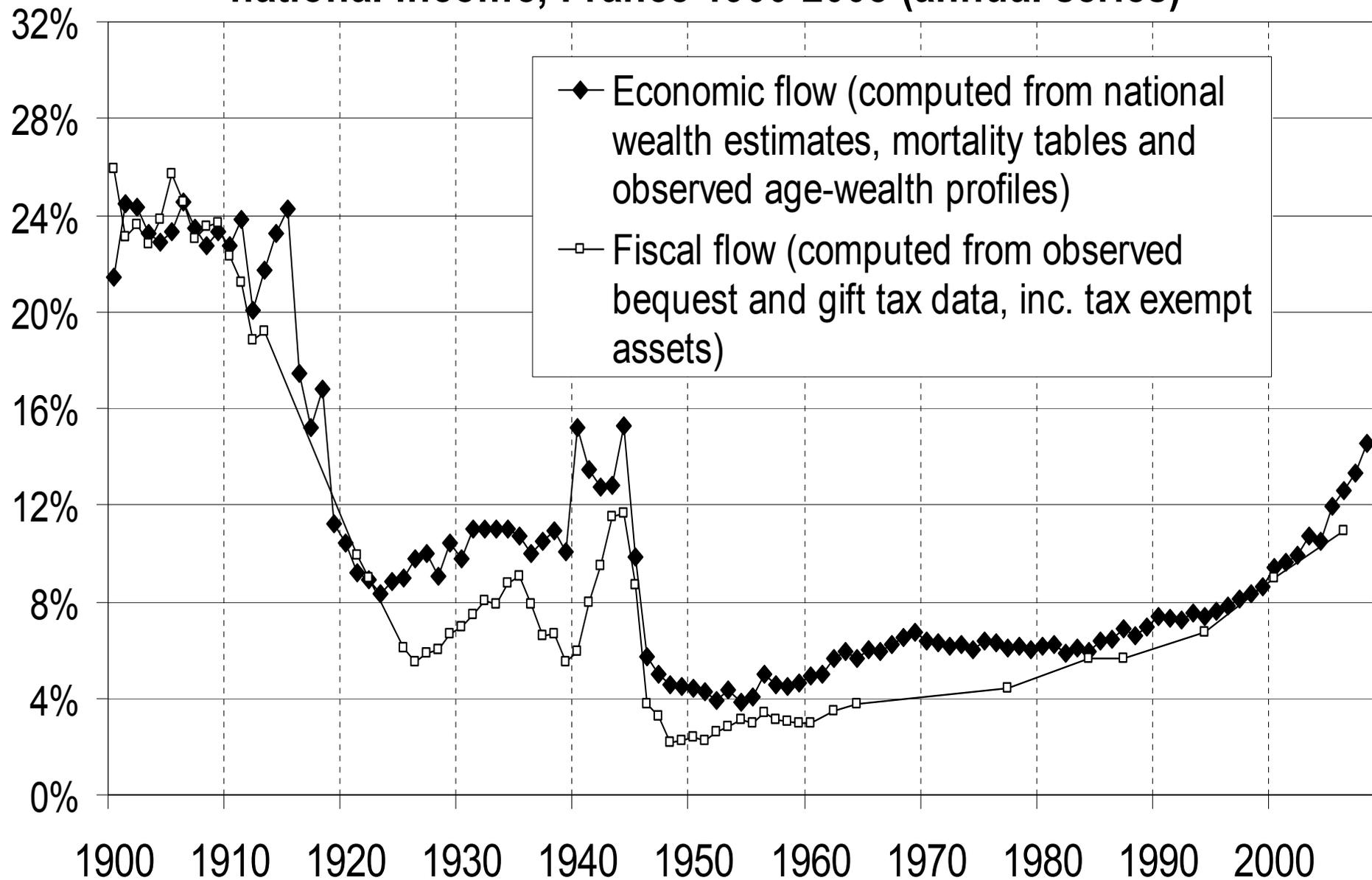


Figure A2: Wealth-income ratio in France 1896-2009
(annual series)

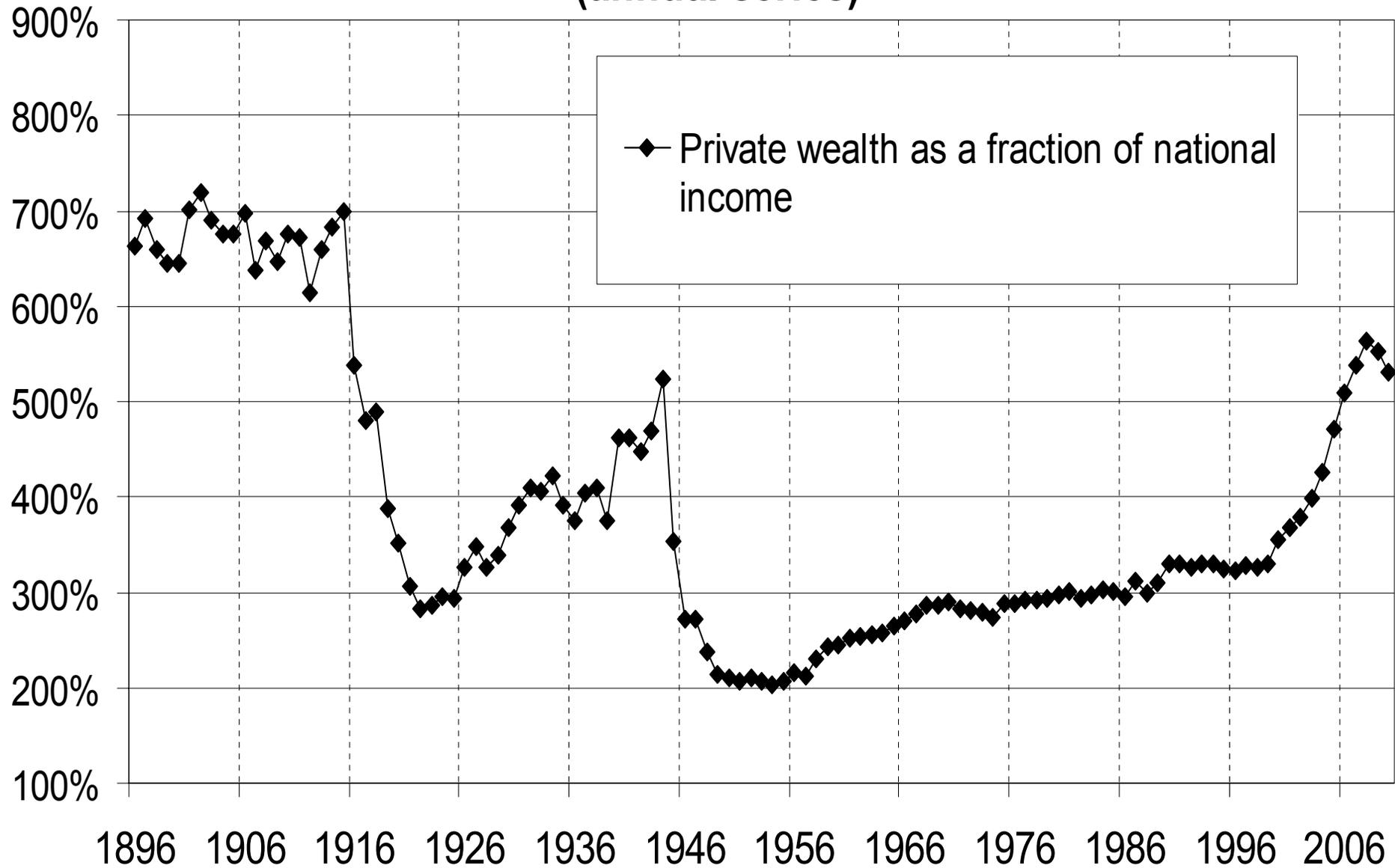


Figure A3: Wealth-disposable income ratio in France 1896-2009 (annual series)

