

The proposed research project entitled “Wealth inequality in Central and Eastern Europe” aims at empirical measuring and explaining wealth inequality in post-socialist Central and Eastern European (CEE) countries, which have become EU New Member States after 2004. In economic science, inequality has been usually measured in terms of disparities of income or consumption. Economists paid less attention to wealth inequality largely due to scarcity of reliable data on household wealth. Household wealth is usually measured as net worth, which is a difference between household (real and financial) assets and household debts. Scientific research shows that wealth is of prime importance as a determinant of individual economic well-being and its distribution in the society. Parental wealth is positively associated with greater educational and cognitive results for children, transitions to home and business ownership, and children’s labor market outcomes. The fact that wealth is usually very unequally distributed (much more unequally than income) translates into very unequal opportunities for children and adolescents coming from different economic backgrounds. According to recent empirical research, wealth inequality is also negatively related to economic growth.

Although there is extensive research on wealth inequality in rich countries, the problem has been much less studied in the context of CEE countries. The project can therefore fill an important gap in the economic literature. Specifically, the project will measure the degree of wealth inequality in CEE countries correcting for the problem of the missing data on wealth of the super-rich in household surveys. Such corrected estimates of wealth inequality for CEE countries do not exist yet. The project will provide first insights on the mechanisms that determine wealth inequality in the CEE countries. The results of the project will help to understand how economic growth, business cycles and structural transformations from centrally planned to market economies have affected wealth of the richest persons, its distribution and mobility among the richest. New facts about wealth inequality and insights into mechanisms driving changes in wealth of the super-rich in CEE region will add to the stock of knowledge about wealth inequality in advanced countries. It will be interesting to see whether the economic processes determining wealth inequality and wealth of the super-rich in the CEE countries are similar to those operating in Western advanced economies.

An additional objective of the proposed project is to throw a new light on the problem of income inequality in Poland. The existing substantial literature on income inequality in Poland, based on household survey data, suggests that the rise of inequality was rather limited during the transformation to market economy. However, inequality estimates in this literature could be seriously biased downward due to the problem of missing top incomes in household survey data. New research based on tax returns data suggests that income inequality grew in Poland much more substantially. This project will provide new estimates of income inequality trends in Poland using combined household survey and tax returns data. In addition, the improved income inequality estimates will be used to compute inequality-corrected measures of real incomes and well-being. We will use these measures to re-evaluate whether the Polish transition to market economy was successful in terms of raising overall societal well-being as well as the well-being of the poor and the rich in Poland.