



**University of
Zurich^{UZH}**

DEPARTMENT OF BANKING AND FINANCE

Master's Thesis

**How unequal is Switzerland? Estimating the wealth and
financial transaction inequality.**

Professor

Prof. Dr. Marc Chesney

Advisor

Vincent Lars Wolff

Author

Rajeevan Thiyagarajah

Submitted on 11 June 2020

Abstract

Wealth inequality got at least since Piketty's *Capital* in the 21st century, on the academic and political radar. Although the research on wealth inequality expanded substantially, the data and methodological challenges remained. In case of Switzerland's wealth distribution, most studies rely on the federal wealth-tax statistics as the main data source and the Pareto interpolation method as the main methodology, which both come with certain limitations. This thesis examines the wealth inequality in Switzerland by using a new comprehensive data set and two different methodologies. Using next to wealth-tax data, pension-wealth data and tax-amnesty data, we studied the evolution of wealth inequality in the period 2003 to 2016. In order to meet the lack of empirical evidence in redistributing pension-wealth to the tax data, we chose a two-path approach (equally and income-based redistribution), which allowed room for argumentation and a range of inequality in Switzerland. Generally, the results showed that the inequality measured by the top shares and Gini coefficients is high and has been growing over the time period. Depending on the chosen path, between 29% and 32% of total wealth were accrued to the top 1% in 2016. These shares were around 24% and 27% in 2003. Similarly, the Gini coefficient varies with the chosen path between 0.56 and 0.72 in 2016. The inequality was also analysed on cantonal level and the resulting regional differences were further investigated.

In order to better understand the interaction between wealth or income with monetary flow we redistributed payment transaction data based on wealth and income distribution. This first approach in the academic literature allowed us to further explore a currently introduced inequality-matched taxation method.