README file for:

Decomposing the Wealth Effect on Consumption

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The empirical analysis has been carried out using STATA (vers. 11.2) for Windows. All the files to replicate the results and the data sets are in STATA format.

DO FILES to replicate the results

**for\_figures.do**

*To replicate Fig.1 and Fig.2*

*It uses* WE\_Data0.dta *and* for\_figure2.dta *and* figures.txt *is the output from running this file.*

**tables1\_2\_3.do**

*To replicate the results in table 1*

*It uses* WE\_Data0.dta *and* WE\_Data1.dta *and* tables\_1\_2\_3.txt *is the output from running this file.*

**ExpectationsDistribution.do**

*This files estimates the mean and variance of the individual subjective probability distributions of asset returns. In particular, it generates the variables mu\_R, mu\_rbnd, mu\_rf and mu\_H which correspond to the expected change in stock prices, the expected return on bonds, the expected return on bank accounts and the expected change in house prices.*

*It uses* WE\_Data0.dta *and* Expectations.txt *is the output from running this file*

**Table4.do**

*To replicate the figures in table 4*

*It uses* WE\_Data1.dta

**Table5.do**

*To replicate the figures in table 4*

*It uses* WE\_Data1.dta *and* tableres5.txt *is the output from running this file.*

**Appendix1.do**

*To replicate the figures in tables A1 and A2*

*It uses* WE\_Data1.dta *and* A4expbondECB.dta *and* A5expbondEUR.dta*.* *One must use* A4expbondECB.dta *to replicate table A4 or* A5expbondEUR.dta *to replicate table A5.*

**Appendix2.do**

*To replicate the figures in tables A4 and A5*

*It uses* WE\_Data1.dta *and* A4expbondECB.dta *and* A5expbondEUR.dta*.* *One must use* A4expbondECB.dta *to replicate table A4 or* A5expbondEUR.dta *to replicate table A5.*

**Appendix3.do**

*To replicate the figures in table A7*

*It uses* WE\_Data1.dta

**Appendix4.do**

*To replicate the figures in table A8*

*It uses* WE\_Data1.dta

**A6\_expect\_logist.do**

*This files estimates the mean and variance of the individual subjective probability distributions of asset returns under the assumption of logistic distribution. In particular, it generates the variables mu\_R, mu\_rbnd, mu\_rf and mu\_H which correspond to the expected change in stock prices, the expected return on bonds, the expected return on bank accounts and the expected change in house prices. These estimates are used for table A6.*

*It uses* WE\_Data0.dta

DATA FILES

**WE\_Data0.dta**

*Data are an excerpt from the Bank of Italy Household of Income and Wealth Surveys run in 2008 and 2010.[[1]](#footnote-1)*

Variables:

nquest = household identifier

anno = year of interview

probint11, probint1, probint21, probint2 = answers to questions for interest rate expectations (2008 survey)

probors11, probors1, probors21, probors2 = answers to questions for stock price expectations (2008 survey)

pcas1, pcas11, pcas2, pcas21 = answers to questions for house price expectations (2010 survey)

**WE\_Data1.dta**

*This is the dataset to be used to replicate the statistics in tables 2 and 3 and the regressions in tables 4 and 5. It merges variables from the Bank of Italy Household of Income and Wealth Surveys run in 2008 and 20101, with the mean and variance of the individual subjective probability distributions of asset returns that we have estimated using* ExpectationsDistribution.do*, with financial returns statistics on the Italian FTSE MIB (from Yahoo Finance), on a basket of bonds and on bank accounts (from Bank of Italy Statistical database[[2]](#footnote-2)).*

Variables:

nquest = household identifier

anno = year of interview

cn = non-durable consumption

c = total consumption

af1 = bank accounts (holdings)

af2 = bonds and bills (holdings)

af3 = stocks and shares (holdings)

ar1 = housing and land (holdings)

ar2 = small businesses (holdings)

ar3 = other real assets (holdings)

ar = total real assets

af = total financial assets

ncomp = number of household members

sex = gender of household head (dummy)

pubblico = household head is a public employee (dummy)

eta = age of household head

nperc = number of income recipients in household

lit = financial literacy index

risfin = attitude towards risk

mu\_R = mean of subjective distribution of stock returns

sig\_R = standard deviation of subjective distribution of stock returns

mu\_rbnd = mean of subjective distribution of returns on bonds

sig\_rbnd = standard deviation of subjective distribution of returns on bonds

mu\_rf = mean of subjective distribution of returns on bank accounts

sig\_rf = standard deviation of subjective distribution of returns on bank accounts

FTSE2010 = return on FTSE MIB in 2010(1)

FTSE2009 = return on FTSE MIB in 2009(1)

gbnds2010 = return on bonds in 2010(2)

gbnds2009 = return on bonds in 2009(2)

bankdep2010 = return on bank deposits in 2010(2)

bankdep2009 = return on bank deposits in 2009(2)

x\_casa = dummy for inconsistent answers to expectation questions on house prices (declining cdf)

x\_bor = dummy for inconsistent answers to expectation questions on stock prices (declining cdf)

x\_int = dummy for inconsistent answers to expectation questions on interest rates (declining cdf)

FTSEmo = monthly return on FTSE MIB in the month of interview(1)

FTSE = annual return on FTSE MIB in year ending the month of interview(1)

FTSE\_l1-FTSE\_l6 = lag 1 to 6 of annual return on FTSE MIB in year ending the month of interview(1)

FTSEm\_l1-FTSEm\_l6 = lag 1 to 6 of monthly return on FTSE MIB in the month of interview(1)

FTSEmo7-FTSEmo12 = monthly return on FTSE MIB in July to December 2008(1)

FTSE7-FTSE12 = annual return on FTSE MIB in year ending July to December 2008(1)

bankdep = monthly return on bank accounts in year ending the month of interview(2)

bank\_l1-bank\_l6 = lag 1 to 6 of monthly return on bank accounts in the month of interview(2)

bankdep7-bankdep12 = monthly return on bank accounts in July to December 2008(2)

bonds = monthly return on bonds and bills in year ending the month of interview(2)

bonds\_l1-bonds\_l6 = lag 1 to 6 of monthly return on bonds and bills in the month of interview(2)

bonds7-bonds12 = monthly return on bonds and bills in July to December 2008(2)

avgva = average growth of value added in the province in 1991-1998

sport04 = bank branches per 1000 inhab by prov in 2004

hprices06 = house prices in 2006

verored = truthfully reporting of income (according to interviewer)

klima = pleasant atmosphere during interview (according to interviewer)

mu\_H = mean of subjective distribution of returns on housing

sig\_H = standard deviation of subjective distribution of returns on housing

anposs = years of ownership of home

impacq = purchase price of home

manstra = expenses on maintenance of home

rotaz = dummy for being asked subjective expectations of house prices in 2010

Dexp = dummy for answering either subjective expectations question in 2008

p\_prov = average house prices in the province

Danposs0 = dummy for no homeownership

anposq = years of ownership of home squared

piubagni = home with more than one bathroom

impacq2 = purchase price of home squared

lowcomp = low understanding of questions (according to interviewer)

p\_prov2 = average house prices in the province squared

p\_com2-p\_com4 = average house prices in the province interacted with dummies for size of municipality

p\_A52 = household living in the North-East

p\_A53 = household living in the Center

p\_A54 = household living in the South

p\_A55 = household living in the Islands

rH\_prov = average change in house prices, by province

hpr\_sq = average change in house prices, by province, squared

high\_grw = dummy for value added growth in the province in the 75th percentile

trib\_inef = dummy for low efficiency of tribunals in the jurisdiction

va2 = average growth of value added in the province in 1991-1998 squared

married = household head is married

yrsedu = years of schooling of household head

employed = household head is in employments

selfemp = household head is self-employed

whiteco = household head is a white collar employee

q = index for ‘employee’, ‘self-employed’, ‘not in employment’

A52 = household living in the North-East

A53 = household living in the Center

A54 = household living in the South

A55 = household living in the Islands

com2 = household living in municipality of 20,000 to 40,000 inhabitants

com3 = household living in municipality of 40,000 to 500,000 inhabitants

com4 = household living in municipality of more than 500,000 inhabitants

small = dummy for living in municipality with up to 20000 inhab.

Dnperc = dummy for more than one income recipients

np2 = number of income recipients squared

risf2 = risk attitude squared

Daf3 = dummy for holding stocks and shares

Dpf = dummy for holding liabilities

lc = dummy for being liquidity constrained (see text for definition)

*Note: (1) from Yahoo finance; (2) from the Bank of Italy Statistical database.*

**for\_figure2.dta**

*Data from Yahoo Finance on the Italian FTSE MIB for 2008-2010*

**A4expbondECB.dta;** and **A5expbondEUR.dta**

*Data from the Bank of Italy Statistical database on the ECB rate and on the Euribor.*

**A3\_returns.dta**

*Data from Yahoo Finance on the Italian FTSE MIB for 2008-2010 and from the Bank of Italy Statistical database on returns on bonds and bank accounts. For the data appendix, table A3.*

1. Researchers interested in the raw data files of the SHIW can obtain them at: https://www.bancaditalia.it/statistiche/tematiche/indagini-famiglie-imprese/bilanci-famiglie/distribuzione-microdati/index.html. The data are public and free of charge.

   Those interested in the mapping from the raw files to the data provided herein, can contact the authors by email at monica.paiella@gmail.com or pista@stanford.edu. [↑](#footnote-ref-1)
2. http://www.bancaditalia.it/statistiche/basi-dati/bds/index.html [↑](#footnote-ref-2)