

Do the Rich Save More?

Evidence from Japanese Microdata for the 2000s

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Abstract

Using two household surveys for Japan, the Family and Lifestyle Survey (FLS) and the Family Income and Expenditure Survey (FIES), this paper investigates whether the saving rates of households with higher lifetime income are higher than those of households with lower lifetime income. The major difficulty in empirically answering the question is that a credible proxy for lifetime income is rarely available. We therefore construct a number of alternative proxies from the two surveys. While the estimated relationships between saving rates and lifetime income are sensitive to the choice of lifetime income measure, the patterns observed for working age households in Japan are generally consistent with those reported for Western countries: we find significant positive correlations when we use education and the type of occupation as instruments, while the positive correlations disappear when we use consumption measures as alternative instruments. In addition, an instrument that we newly introduce in this paper consisting of information on the prices households paid when purchasing certain goods and on households' asset holdings also appears to support, albeit marginally, that there is a positive relationship between saving rates and lifetime income. We further find that the saving-income relationship appears to differ depending on the life-stage of individual households. Older households with larger assets appear to be dissaving to some extent.

Keywords: saving rates, lifetime/permanent Income, Japan

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