Discussion of
Including Valuables in HH Wealth
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Objective

- Constructing a measure of valuables wealth held by HHs
- Does including wealth valuables result in a different wealth inequality picture?
- Estimates constructed for the US and for Indonesia
United States
Constructing Stocks

- Valuables included:
  - Gold
  - Gemstones
  - Fine art
  - Collectibles

- Excludes gold and gemstones purchased by jewelry manufactures to create jewelry for sale

- Includes gemstones purchased separately & the set for jewelry
Constructing Stocks

- Original fine art included, not copies
- Value of art from income of self-employed artists

- Collectibles valued for their uniqueness, typically old
  - As old, assumes minimal value as productive capital or consumer durables
Constructing Stocks

- Nominal valuables wealth share over time
  - 1.5-3.5% range
  - Declined in general from early 30’s to early 70’s
  - Then volatile
  - Rising since 2000
Stocks

- Strong negative correlation between valuables gross (no debt deduction) wealth share and GDP growth rate between 1929 and 2013
- Nominal valuables investment around 2% of GDP over the past century

- Poor people can pawn valuables in tough times
- Valuables rather safe assets, but they
  - Generally earn a lower ROR than the stock market
  - Transaction costs for jewelry are very high
Thin Datasets

- Survey of Consumer Finances (SCF)
  - Only 7% report having any valuables
  - Yet, based on other sources, 43% of households own expensive engagement rings
- Survey design is a problem
- Consumer Expenditure Survey
  - Data on jewelry purchases, yet will include gifts to others
Thin Datasets

- Assumes underreporting not correlated with wealth or other demographic variables
- SCF is a small survey, so 9 waves from 1989-2013 were pooled
- Year fixed effects changed results little

- Oversamples the extremely wealthy
Distributions

- Individual valuables analysis changes results little
- Shares are of non-valuables wealth for distributions

- For most of the wealth distribution, increasing wealth associated with a lower valuables ratio
  - Exception is the top 1%
- Demographic results weak because of thin data set
  - Negative relationship between education and valuables to non-valuables share even with other demographic controls
Distributions

- Valuables to non-valuables share increases with age until age 75 or more

- Contrary to Charles, Hurst, & Roussanov (2007) results, no tendency for black households to have a higher valuables to non-valuables share than whites, but sample small

- Once demographic controls entered, Hispanics do not have a lower valuables to non-valuables share than others
Distributions

- No differences in valuables to non-valuables share by household structure once demographic controls are entered
Indonesia
Apparently Better Dataset

- 53% of households report owning some jewelry
- Jewelry ratio is ratio of the nominal value of jewelry to the nominal value of other assets

- Strong negative relationship between wealth and jewelry ownership
- Poorest 10% of HHs hold nearly 25% of their wealth in jewelry
- No statistical significant relationship between education or age of the HH head and jewelry ratio
Discussion

- Overall: Statements made without any reference to back them up (typical practice, transaction costs for jewelry, etc., )
- When results are insignificant, lead with that fact

- Sense of size of categories
  - 4 categories tracked
  - Gold & gemstones purchased by jewelry manufactures & then used to create jewelry
  - Diamonds used in manufacturing?
Discussion

- Why do measured shares change from a valuables to wealth ratio to a valuables to non-valuables ratio?

- Education results: those with higher education more likely to own a house (if counted as wealth)
Discussion – 10 years avg. & Years
Discussion

• SCF listed as data source, but income of self-employed artists is used to measure the fine arts component?

• Many assumptions had to be made to construct the estimates

• Collectibles is the weakest category
Discussion - Indonesia

- Traditional Muslim dowry is gold jewelry
Conclusion

- Valiant effort, but maybe estimates not yet ready for prime time

- May well be impossible to do better, so

- Good job overall!