



# Discussion of Including Valuables in HH Wealth by Rachel Soloveichik

IARIW, Dresden, Germany, August 26, 2016

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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

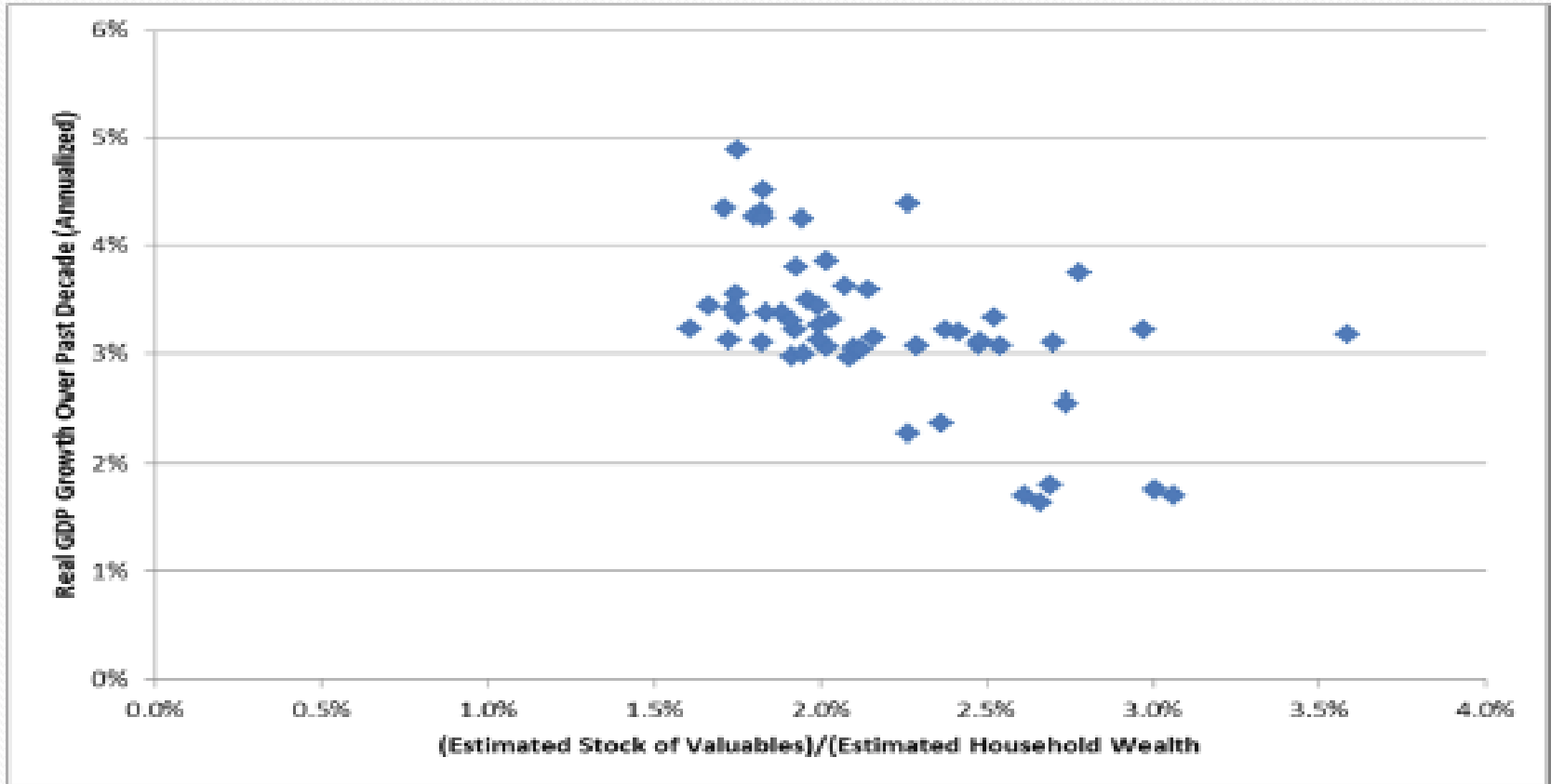
- **Overall: Statements made without any reference to back them up (typical practice, transaction costs for jewelry, etc., )**
- **When results are insignificant, lead with that fact**
- **Sense of size of categories**
  - **4 categories tracked**
  - **Gold & gemstones purchased by jewelry manufactures & 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!**