Including Valuables in Household Wealth

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Paper Abstract: Measured household wealth and wealth inequality depend crucially on the household assets tracked (Bricker et. al 2015). Most household surveys carefully track checking accounts, retirement savings, real estate and similar assets. However, those same surveys do not track valuables like jewelry or collectibles completely. Previous researchers have found that poorer groups typically spend a higher percentage of their income on jewelry (Charles, Hurst and Roussanov 2007). Given those differences in expenditures, one might think that poorer households also hold a larger share of their wealth as valuables. This paper explores whether tracking valuables reduces measured wealth inequality.

I find that overall wealth inequality in the United States is not sensitive to the treatment of valuables. In the United States, rich households and poor households both hold approximately the same fraction of their assets as valuables. Furthermore, valuables account for only 2-4% of the wealth stock. As a result, including valuables in the wealth stock has very little impact on measured wealth inequality in the United States. In contrast, overall wealth inequality in Indonesia falls significantly when jewelry is included in the wealth stock. These dramatically different results suggest that researchers studying valuables must consider each country separately.