

How Do Persistent Earnings Affect the Response of Consumption to Transitory Shocks?

Examining the Wealth Measure from the Housing Module of the SCE

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To check the validity of my wealth measure, I compute its equivalent with variables from the Household Finance module, which contains more details but is observed for a smaller number of people in my sample. More precisely, I build from the Household Finance module a variable corresponding to the sum of the wealth from defined contribution accounts, the wealth from individual retirement accounts, and the wealth from checking and savings accounts, CDs, stocks, bonds, mutual funds, Treasury bonds. I also transform my categorical baseline wealth measure from the Housing module into a continuous one: I attribute to each respondent a wealth equal to the the lower bound of the wealth category they belong to—putting them at 0 when they answer 'less than \$500.

| | Baseline (made continuous) | Based on HF module |
|---------------|----------------------------|--------------------|
| Mean | 70,522 | 69,196 |
| Standard dev. | 171,207 | 225,292 |
| P5 | 0 | 0 |
| P25 | 5000 | 0 |
| P75 | 50,000 | 30,000 |
| P95 | 1,000,000 | 1,020,000 |
| Observations | 1,851 | 1,851 |

Table 1: Checking the consistency of wealth responses across questions

Table 1 presents the average and distribution characteristics of the two measures of wealth among people for whom both are observed. The first line shows that the averages are remarkably similar. The second line indicates that, as expected, since the baseline measure (based on a categorical variable that I transformed into a continuous one) only moves by thresholds, its variance in the sample is smaller. Finally, the third to sixth lines suggest that the distributions

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around the averages are not too dissimilar. The baseline measure has thinner tails, with both less households at zero wealth and less households at the highest levels of wealth. Overall, this confirms that, although my measure of wealth is obtained from a question in the Housing module, it captures the same information as the questions in the Household Finance module, and the answers are consistent across the two modules.