

CHAPTER 2 APPENDIX B
Literature Review Table

Table 2.B.1. Empirical Studies of Assets and Liabilities of Low-Income Households

Author	Data source	Sample/study population	Method	Outcomes analyzed	Key explanatory variables	Findings	Author's principal conclusions
Aizcorbe, Kennickell, and Moore 2003	1998, 2001 Survey of Consumer Finances (SCF)	U.S. families ("primary economic units" that include families and others in the household)	Descriptive	Net worth, assets, liabilities, credit card balances, debt-to-income ratio	Percentile of income, age, education, race/ethnicity, work status, region, home ownership	(1) Assets and net worth skewed toward the wealthy. (2) Growth in assets and net worth was flat during early 1990s but accelerated during the late 1990s.	(1) Median and mean net worth of families grew substantially between 1998 and 2001. (2) Ownership of homes and financial assets grew. (3) Debt holding and debt levels increased.
Badu, Daniels, and Salandro 1999	1992 SCF	Families with a black or white head	(1) Instrumental variables regression—the model measures the difference in net worth between blacks and whites (2) canonical correlation analysis—measures the differences in asset and liability holdings of blacks versus whites	Net worth, financial assets, portfolio composition, and use of credit	Control variables capture income, age, education, employment, race, marital status, children health, and pension.	(1) White households have significantly greater net worth and financial assets than black households. (2) The authors find no evidence that the net worth of black households is constrained by barriers to obtaining credit. (3) There is evidence that blacks are more risk averse in their asset choices and that they pay higher interest rates.	(1) Both blacks and whites rely a great deal on credit cards. (2) According to the canonical correlation analysis, blacks do not on average have any assets that are independent of liabilities. (3) Whites are more risk tolerant than blacks. (4) On average both whites' and blacks' principal asset is a vehicle.
Belsky and Calder 2004	2001 SCF	U.S. families	Descriptive	Financial assets, nonfinancial tangible assets, debt	Age, race, income	(1) Median net wealth of the lowest income quintile is less than one-quarter of the median wealth of the second income quintile. (2) The most commonly held financial asset for individuals in the bottom income quintile is the transaction account. (3) The most commonly held nonfinancial asset for individuals in the bottom income quintile is the automobile.	(1) Minorities in the lowest income quintile have much lower rates of asset ownership than whites in the same income quintile. (2) A large share of families in the lowest income quintile are operating in a cash economy, preventing them from accessing mainstream, long-term credit. (3) Access to debt is similar for whites and nonwhites in the lowest income quintile.

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Author	Data source	Sample/study population	Method	Outcomes analyzed	Key explanatory variables	Findings	Author's principal conclusions
Browning and Lusardi 1996	Literature review includes SCF, Current Employment Statistics (CES), Panel Study of Income Dynamics (PSID), Health and Retirement Study (HRS), Asset and Health Dynamics Survey (AHEAD), Survey of Income and Program Participation (SIPP), National Longitudinal Survey (NLS), Longitudinal Retirement History Survey (RHS)	U.S. households	Descriptive	Household saving	Various demographic variables in many different surveys, models used to describe household saving behavior	(1) A "standard optimizing framework," integrating the CEQ model and standard additive model for consumption decisions can provide an adequate framework for examining household saving. (2) Though current datasets provide an accurate portrait of who saves over time, they are less effective in explaining why people save.	(1) More and "better" data are needed to examine the question of why households save, including more information on health status, perception of mortality risk, the situation of children, and liquidity constraints. (2) Simulation models that explore both observed and difficult-to-measure heterogeneity variables across populations could shed more light on the savings decision. These models could also be linked to the standard model, which could integrate a larger range of life-cycle decisions
Bucks, Kennickell, and Moore (2006)	1995, 1998, 2001, 2004 SCF	U.S. families ("primary economic units" that include families and other persons in the household)	Descriptive	Net worth, assets, liabilities, credit card balances, and debt-to-income ratio	Percentile of income, age, education, race/ethnicity, work status, region, home ownership	(1) Assets and net worth skewed toward the wealthy. (2) Financial assets comprised a smaller proportion of portfolios than in 2001. (3) Despite lower interest rates in 2004 than in 2001, there were moderate increases in debt burden	(1) Despite small changes in income between 2001 and 2004, there were some increases in mean (63%) and median (15%) net worth that pale in comparison to the increases between 1998 and 2001. (2) Real estate values increased sharply between 2001 and 2004. (3) The rise in debt use is attributable to the increased use of real estate debt.
Caner and Wolff 2004	1984-99 PSID	U.S. families	Descriptive	Asset-poverty rates	Race, age, education, tenure, family type	(1) Nonwhites are more than twice as likely as whites to be asset poor, though the nonwhite asset-poverty rate declined from 1984-1999 (2) From 1994-99, asset-poverty rates increased for most age groups. (3) Asset-poverty rates decrease with higher education. (4) Changes in race/ethnicity and family type had a negligible effect on the overall poverty rate.	Though the traditional income poverty measure decreased over the 1984-1999 period that the authors examined, the asset-poverty rate barely changed and the severity of poverty increased.
Carasso et al. 2005	Current Population Survey (CPS), SCF, various years	U.S. households and families	Descriptive	Homeownership rates, homeownership subsidies, tax expenditures	Income, education, race, children in family, marital status	(1) Homeownership rates increased from 1990-2003, but this is mostly just catch up from losses in the 1980s. (2) Homeownership rates for minorities and less-educated individuals are significantly lower than for whites and more-educated groups. (3) Federal housing subsidies and tax expenditures are unevenly distributed in a U shape.	Future policies need to smooth the U-shaped distribution by changing ownership incentives for low- and middle-class families.

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Author	Data source	Sample/study population	Method	Outcomes analyzed	Key explanatory variables	Findings	Author's principal conclusions
Domowitz and Sartain 1999	Proprietary data of 827 bankruptcy filers and the 1983 SCF	U.S. bankruptcy filers and matched nonfilers	Nested logit model relating the probability of filing for bankruptcy to household demographic and financial characteristics	Bankruptcy choice (yes/no)	Medical debts above 2% of annual income, homeownership, marital status, debts/assets, credit card balance/income, secured and unsecured debts/income	(1) The relationship between marriage and bankruptcy is statistically negligible (p. 410). (2) Debtors without homes are almost 7 times more likely to file than the average homeowner (p. 413). (3) An increase in credit card debt to the level of an average chapter 7 debtor is predicted to cause a 624% increase in the probability of filing for bankruptcy (p. 414).	(1) Substantial medical debt is found to be the most important factor in assessing the impact of household conditions (p. 419). (2) On the margin, the largest single contribution to bankruptcy is credit card debt (p. 419). (3) Homeownership discourages bankruptcy by a substantial amount (p. 410).
Fay, Hurst, and White 2002	PSID	U.S. households	Probit regressions—measuring the determinants of filing for bankruptcy	Bankruptcy	Financial benefits of applying for bankruptcy, debts, nonexempt assets, local bankruptcy rate, income, education, family size	(1) Far fewer households file for bankruptcy than the number that would actually benefit from filing (p. 712). (2) Debts, when financial benefits from filing for bankruptcy are greater than zero, are a more important contributors for the filing decision than foregone nonexempt assets (p. 716). (3) Education, income, and homeownership. (marginally) have the predicted effects on the decision to file for bankruptcy (p. 713). (4) Surprisingly, business owners are less likely to file for bankruptcy (p. 713). (5) Finally, individuals living in districts where bankruptcy is more prevalent are more likely to file for bankruptcy (p. 706).	(1) The authors find support for the notion that households are more likely to file for bankruptcy when their financial benefit from filing is higher (p. 706). (2) Their model predicts that a \$1,000 increase in the benefit from filing for bankruptcy results in a 7% increase in the number of bankruptcy filings (p. 715). (3) They also conclude that the argument that households file for bankruptcy in times of extreme duress is not supported by the data (p. 706).
Gross and Souleles 2002	Panel dataset of credit card accounts from several credit card issuers, representative of all open accounts in 1995, contains other financial information and spans from 1995–1997.	U.S. credit card holders in 1995	Duration models	Default and bankruptcy	Credit score, employment, credit use, age, lack of health insurance, regional home prices	Risk controls (credit scores) were highly significant in predicting bankruptcy and delinquency. Even controlling for credit scores, accounts with larger balances and purchase or smaller payments were also more likely to default. Unemployment and lack of health insurance also increased default, but these variables only explain a small part of the change in bankruptcy and delinquency rates over the sample period (p. 345).	Ceteris paribus, a credit card holder in 1997 was 1% more likely to declare bankruptcy and 3% more likely to be delinquent on payments than cardholders with an identical profile in 1995. This magnitude is almost as large as if the whole population of cardholders became one standard deviation riskier in terms of credit scores. These results are consistent with a demand effect. That is, it is likely that the costs of defaulting or filing for bankruptcy decreased between 1995 and 1997 (p. 322).
Himmelstein et al. 2005	Dataset of 1,771 bankruptcy filers in five federal courts in 2001	U.S. bankruptcy filers	Descriptive	Bankruptcy	Medical reasons for filing bankruptcy, such as illness or injury, uncovered medical bills, lapse of insurance coverage, or death of a family member	(1) The average debtor tends to be middle aged and working or middle class, with children and at least some college education. (2) Nearly half the debtors surveyed had a "major medical bankruptcy." (3) A lapse in health insurance is a strong predictor of a medical bankruptcy.	Four major deficiencies in the "financial safety net" for families confronting illness—(1) lapses in insurance, (2) underinsurance in the face of serious illness, (3) lack of comprehensive employment-based coverage, and (4) lack of adequate disability insurance and paid sick leave for most families—warrant broad policy reforms regarding medical and social insurance.

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Author	Data source	Sample/study population	Method	Outcomes analyzed	Key explanatory variables	Findings	Author's principal conclusions
Kennickell 2003	1989–2001 SCF	U.S. families	Descriptive	Distribution of and shifts of wealth holdings	Net worth, financial and nonfinancial assets, debts, equity	(1) Roughly one-third of total wealth is held by the highest 1%, the next 9%, and the remaining 90% of the wealth distribution. (2) Baby boomer wealth trended upward during 1989–2001. (3) Median wealth of white non-Hispanics was 64 times that of African Americans in 2001. This has decreased from a factor of 185 in 1989. A substantial portion of African American families had "middle-class" net worth in 2001.	(1) Changes in financial services and economic structures have contributed to a variety of changes in the wealth distribution. (2) Leverage declines sharply with wealth. (3) Analysis of portfolio structure and institutional relationships would be helpful given the changes in the available set of financial services.
Kennickell and Sundén 1997	1989 and 1992 SCF	U.S. families	(1) Descriptive (2) OLS and robust regressions	The effect of Social Security and other pension wealth on nonpension net worth	Pension wealth, Social Security wealth, net worth	(1) Including Social Security and pension wealth in the SCF measurement of net worth makes the net worth distribution more even. (2) Defined benefit plan coverage has a negative effect on nonpension net worth, while the effect of defined contribution plans and Social Security wealth is insignificant.	(1) While there has been a shift over time from defined benefit to defined contribution plans, workers do not seem to be contributing as much to the latter. (2) The insignificant effect of Social Security on saving may reflect households' uncertainty concerning the level of future Social Security benefits.
Lupton and Smith 1999	HRS and 1984, 1989, and 1994 PSID	U.S. households	(1) Descriptive (2) multivariate OLS estimates of household savings	Household saving	Marital status, composition of wealth, sex, net worth, family income, race, age	(1) Wealth distribution is skewed more than income distribution. (2) Net worth varies across marital status, with marital disparities being much larger among minorities. (3) The typical married couple has more Social Security wealth than personal net worth. (4) Savings between PSID waves are significantly lower among not-married households. Savings differences between married and not-married households are largest in the "earliest duration" in marital states and then tend to converge. (5) Children do not explain why married families save more.	There is a "quantitatively large" relationship between saving and marriage. The duration of the marriage, furthermore, positively affects wealth. The initial savings of married households contributes to the large wealth gap between married and not-married households.
McKernan and Chen 2005	1998 SCF	Business owners	Descriptive	Small business and microenterprise programs and participation	Age, firm size, net worth, race, sex, education, household income	American small-business owners tend to be male and white, have at least a high school education, and have moderate incomes. While anecdotal evidence suggests that small business grants and microenterprise programs increase entrepreneurship, studies that applied more stringent controls (for selection bias, for example) found no increase in wage rates or employment due to grants for these programs, but did find decreases in the length of unemployment spells.	(1) More research is needed to evaluate whether small business and microenterprise programs increase self-sufficiency. (2) Policies should consider self-sufficiency and economic development goals separately. (3) Standards and accreditation for programs should be created by foundations and policymakers. (4) Metrics for measuring success should be further developed. (5) Barriers that limit at-risk groups should be considered. (6) Small business and microenterprise should be evaluated against other programs with similar objectives.

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Author	Data source	Sample/study population	Method	Outcomes analyzed	Key explanatory variables	Findings	Author's principal conclusions
Mermin 2008	2001 and 2004 SCF	U.S. households	Descriptive	Wealth	Age, income quintile, educational attainment, race/ethnicity, marital status	Not applicable	Social Security, private retirement, and housing comprise nearly all wealth for households at their peak.
Smith (1995)	HRS	U.S. households	(1) Descriptive (2) multivariate OLS estimates of net worth using the HRS	Comparisons of major asset surveys; racial, ethnic and other disparities in the distribution of net worth	Race, age, education, income, region, health status, other demographic variables	(1) Missing values in surveys are much larger among the financial and real asset categories. (2) In the HRS, the distribution of wealth is severely skewed—mean net worth is 24 times the median. (3) The average middle-aged black or Hispanic household has no liquid assets at its disposal.	(1) Compared to other surveys, the quality of HRS asset data is high, although nonresponses remain a problem. (2) Racial disparities in the HRS are mainly due to differential inheritances across generations, lower minority incomes, poorer health, and a very narrow definition of wealth that systematically excludes Social Security and employer pensions.
Smith 1999	PSID, AHEAD, HRS	U.S. households	(1) Descriptive (2) ordered probit models of self-reported health status by income and wealth (3) OLS models of new chronic health problems on household wealth	Health and economic status	Self-reported health status, income, wealth (models included also control for race, sex, age, marital status, education)	(1) Across all age groups, those in excellent health have more wealth than other respondents. Changes in health over time are also associated with wealth changes. (2) Out-of-pocket medical costs are relatively small for the average person. Despite these relatively low costs, the impact of new severe health problems on savings produces a mean wealth reduction of 7%. (3) There is a steep inverse relationship between employment grade and poor health outcomes.	(1) For middle to older age groups, there are significant effects of new health events on income and wealth, though this may not be true for earlier ages. (2) Though economic resources impact health outcomes, this direction of causality may be most pronounced during childhood and early adulthood.
Stavins 2000	1998 SCF	U.S. families	(1) Descriptive (2) logit regressions—measuring the likelihood of bill payment delinquency or prior bankruptcy filing	Bankruptcy, bill payment delinquency	Age, homeownership, income, net worth, unemployment, family size, marital status, number of credit cards, credit card balance, debt/income ratio	Not applicable	(1) The strongest factors increasing the probability of being behind on bill payments were previously filing for bankruptcy and being unemployed at any time in the last 12 months. Past bankruptcy filing increases the probability of having delinquent loans whether or not bankruptcy filing was recent or 10+ years ago (p. 24). (2) Households with higher unpaid credit card balances are more likely to have filed for bankruptcy in the past (p. 25).
Sullivan 2004	SIPP	Single women	Descriptive	Vehicle ownership, vehicle equity	Children (yes/no)	(1) Families with a high probability of participating in welfare are more likely to have vehicle equity than any other type of asset. (2) More than 40% of all single mothers without a high school diploma own a car, whereas only 22% have money in a checking or savings account.	(1) Asset restrictions do have an effect on vehicle ownership. (2) Asset limits have no effect on liquid asset holdings.

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Author	Data source	Sample/study population	Method	Outcomes analyzed	Key explanatory variables	Findings	Author's principal conclusions
Wolff 2004	1983, 1989, 1992, 1995, and 1998 SCF	U.S. families	Descriptive	Distribution of net worth, mean/median net worth, elements of wealth	Income, age, children in family, female-headed family	(1) The bottom income quintile does not have the assets to sustain consumption for any amount of time given an emergency, versus 25 months for those in the highest income quintile. (2) In 1998, poor blacks, on average, had one-quarter the net worth of poor whites. (3) For the poor, mean net worth fell by 5% between 1983 and 1998.	(1) Only the richest 20% experienced large wealth gains between 1983 and 1998. (2) Wealth inequality continued to rise. (3) Overall indebtedness continues to rise. (4) There continue to be large wealth disparities across race.

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