

# Unemployment Risk and Precautionary Wealth: Evidence from Households' Balance Sheets

Christopher D. Carroll, Karen E. Dynan, Spencer D. Krane

[➤ Author and Article Information](#)

*The Review of Economics and Statistics* (2003) 85 (3): 586–604.

<https://doi.org/10.1162/003465303322369740> [Article history](#) 

[Cite](#) [Permissions](#) [Share](#)  [Views](#) 

## Abstract

This paper examines precautionary behavior by relating job-loss risk to household net worth. We use existing best practice and some new strategies to deal with some problematic issues inherent in this literature regarding proxying uncertainty, instrumentation, and incorporating theoretical restrictions. We do not find precautionary variation in the wealth holdings of households with low permanent income, but do find precautionary effects for moderate and higher-income households. When the dependent variable is total net worth, these findings are robust to several alternative specifications. But we do not find precautionary responses in subaggregates of wealth that exclude home equity.

This content is only available as a PDF.

© 2003 President and Fellows of Harvard College and the Massachusetts Institute of Technology

You do not currently have access to this content.

## Sign in

Don't already have an account? [Register](#)

## Client Account

Email address / Username

Password

[Skip to Main Content](#)

[Sign In](#)

[Reset password](#)

[Register](#)

---

## Sign in via your Institution

Sign in via your Institution

---

[Buy This Article](#)

## Email Alerts

---

[Article Activity Alert](#)

[Latest Issue Alert](#)



[View Metrics](#)

## Latest

---

[Most Read](#)

[Most Cited](#)

*Review of Economics and Statistics* 2025 Annual Report

Productivity Gains from Trade: Bunching Estimates from Trading Rights in China

Harvesting the Rain: The Adoption of Environmental Technologies in the Sahel

Immigration and the Top 1 Percent

## Cited By

---

Web of Science (121)

Google Scholar

[Skip to Main Content](#)

## Related Articles

---

### The Importance of Business Owners in Assessing the Size of Precautionary Savings

*The Review of Economics and Statistics* (February,2010)

### How Important Is Precautionary Saving?

*The Review of Economics and Statistics* (August,1998)

### Precautionary Savings – A Panel Study

*The Review of Economics and Statistics* (May,1997)

### Consumption Uncertainty and Precautionary Saving

*The Review of Economics and Statistics* (March,2020)

## Related Book Chapters

---

### The Illusion of the Precautionary Principle: April through June 2020

An Abundance of Caution: American Schools, the Virus, and a Story of Bad Decisions

### The Precautionary Principle

Life Support: The Environment and Human Health

### Precautionary Saving and Prudence

The Economics of Risk and Time

### Representing Europe with the Precautionary Principle

Reframing Rights: Bioconstitutionalism in the Genetic Age

# The Review of Economics and Statistics

Online ISSN: 1530-9142    Print ISSN: 0034-6535



# MIT Press Direct

A product of The MIT Press

[Newsletter sign up](#)



## MIT Press Direct

[About MIT Press Direct](#)

[Books](#)

[Journals](#)

[CogNet](#)

## Information

[Accessibility at MIT](#)

[MIT Press Direct VPAT](#)

[For Authors](#)

[For Customers](#)

[For Librarians](#)

[Direct to Open](#)

[Open Access](#)

[Media Inquiries](#)

[Rights and Permissions](#)

[For Advertisers](#)

## MIT Press

[About the MIT Press](#)

[The MIT Press Reader](#)

[MIT Press Blog](#)

[Seasonal Catalogs](#)

[MIT Press Home](#)

[Give to the MIT Press](#)

## Contact Us

[FAQ](#)

[Direct Service Desk](#)

[Skip to Main Content](#)

