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Subject: Re: Can the wealth index be used to measure wealth inequality?

Posted by [Liz-DHS](#) on Tue, 15 Dec 2015 16:45:48 GMT

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Dear User,

Here is a response from Dr. Shea Rutstein:

Quote:The DHS Wealth Index is relative with a mean of zero and a standard deviation of 1.0.

Thus it is different from an absolute measure of wealth in that a household with no net worth would have zero wealth. Net worth cannot be determined with a DHS (or maybe any other survey), since it involves assigning monetary values to everything owned and subtracting every owed. Many household may owe more than they own, and in that case their net worth is negative.

The DHS wealth index has two forms of data: the wealth index score assigned to each household and the wealth index quintile, derived from the wealth index score, to which a household is assigned. The wealth index score is an interval rather than a ratio scale since the zero point does not mean zero wealth. A concentration index, Gini coefficient and Lorenz curve can be calculated from the wealth index score. To calculate them, add a constant to each score that is the value of the lowest score with its sign changed such that the lowest score would then be zero. To measure changes in inequality over time or across countries, first apply the comparative wealth index transformations to the scores for each survey.

However, the wealth index does not handle extremely wealthy households well as the data on number of possessions and their values are not obtained by the DHS, and may thus underestimate wealth inequality for all households in the country. That is, the most wealthy households may appear to have the same scores as the next most wealthy households. To estimate these

For the inequality calculations, cardinality does not enter in since the number of members of the group is the number of households interviewed and the interval scale can theoretically have an infinite number of values.

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