

Housing, wealth accumulation and wealth distribution: evidence and stylized facts

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Discussion

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OeNB-Workshop

„The Measurement of Augmented Wealth: Concepts, Methods and Results“

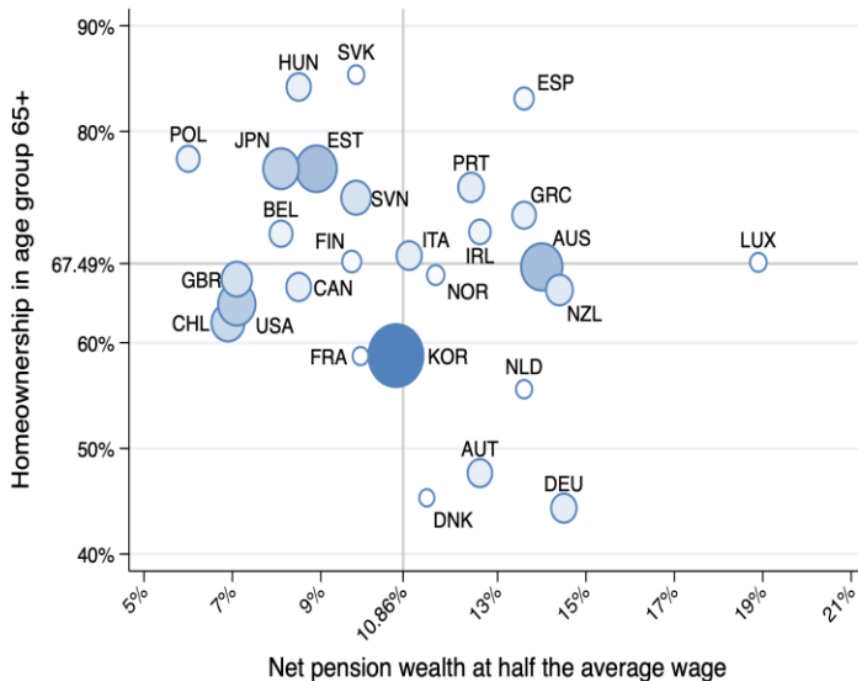
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03/03/2023

Contribution

- In-depth analysis of micro-data on household wealth across OECD countries
- Evidence & stylised facts on housing & wealth
 - Housing tends to equalise the distribution of wealth in a cross-country perspective
 - Homeowners tend to be wealthier than renters
 - Participation in the mortgage market by young households tends to narrow the difference between homeownership among young and the rest of the population
 - There is no systematic link between homeownership and public pension generosity
 - ...
- Discussion of policy trade-offs

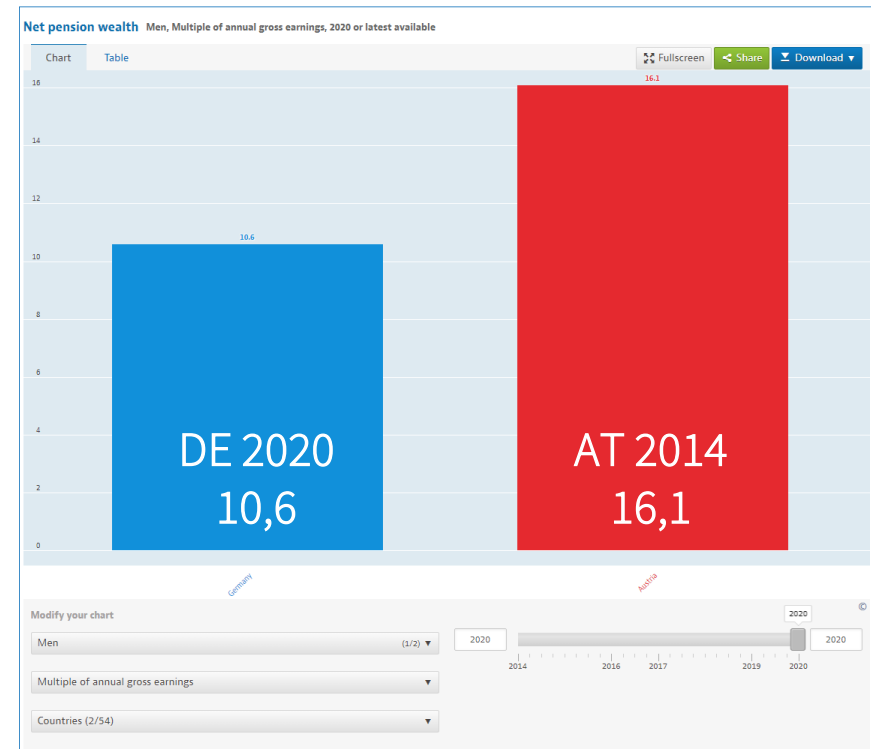
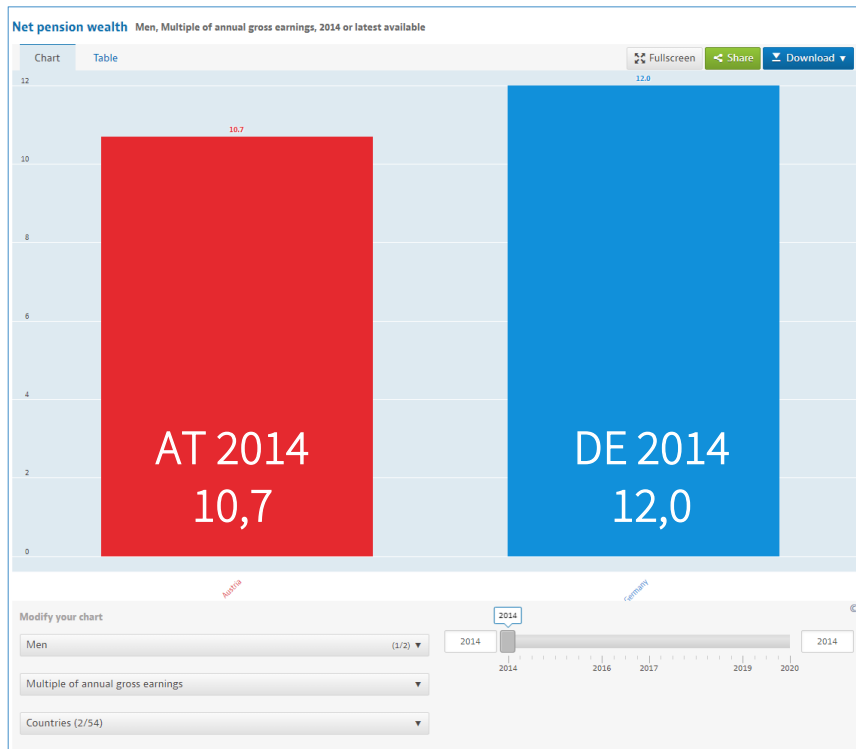
Homeownership and public pension generosity



- Simple theory suggests negative correlation:
 - low net pension wealth → higher (private) wealth accumulation → higher homeownership rates
- Lack of correlation may be driven by factors positively correlated with net pension wealth and negatively correlated with homeownership, e.g. social housing?
- How robust is this finding over time?

Net pension wealth at half the average rate = present value of (net) pension benefits of a person who earns half the average wage, expressed relative to this persons annual income (not %!) ?

Net pension wealth: AT vs DE, 2014 vs 2020



Source: https://www.oecd-ilibrary.org/finance-and-investment/net-pension-wealth/indicator/english_c634eb4f-en

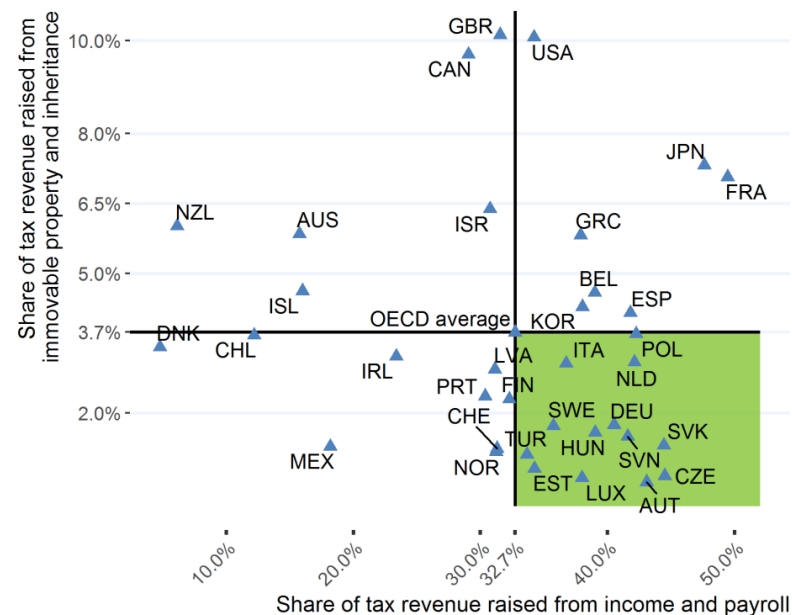
Policy trade-offs

- Homeownership policy goal in many countries (positive spillovers for society)
 - vehicle for wealth accumulation
 - most stable tenure arrangement to satisfy basic household needs
 - more community engagement and voting
- Potential **conflict** between homeownership (as a public policy goal) and:
 - Efficiency (distortion of labour and capital from most productive use)
 - Unemployment reduction (reduced labour mobility)
 - Social mobility (barrier to relocation)

Policy options to improve efficiency: Tax reforms

- Shifting the tax mix towards property taxes
 - “(...) recurrent taxes on immovable property (i.e. taxes levied regularly on the ownership of immovable property) have been found to be the least damaging to economic growth followed by consumption taxes, other property taxes, personal income and corporate income taxes (Brys et al., 2016)”.
- Enhancing the efficiency and progressivity of immovable property taxation
- Taxing inherited wealth

Figure 21. Some countries could move away from taxing income to taxing immovable property and inheritance



Comments

- Macroeconomic effects of suggested reforms are not sufficiently discussed
 - Short-run versus long-run effects
- Suggested reforms do not seem to ease the trade-off itself, but increase efficiency at the cost of lower homeownership
 - At least in short run, maybe not in long run?
 - (Political) Preferences

Conclusion

- Highly interesting paper that delivers a large number of stylized facts about housing and wealth in a cross-country comparison
- Policy suggestions are intuitive, but require a more detailed elaboration to be fully convincing
- A perfect starting point for an exciting debate about highly relevant policy questions
 - Taxation
 - Housing
 - Prudential policies