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The Impact of Homeownership on Wealth Inequality: A Cross-country Empirical Analysis
Based on HFCS Data

Franziska Kaiser

This study analyzes the impact of homeownership on wealth inequality across Germany, Spain, France, and Italy. By running a regression of the recentered influence function (RIF) of the unconditional quantile of equalized net household wealth on the explanatory variables, the effect of homeownership with and without mortgage on different quantiles of the net wealth distribution is estimated. Further, I use a RIF decomposition to compute the effect of differences in homeownership on the cross-country gap of equalized net household wealth at different parts of the wealth distribution. The empirical analysis is based on the second wave of the Household Finance and Consumption Survey (HFCS). The results of this study suggest that the cross-country gap in equalized net household wealth is the largest at the median of the distribution. Homeownership is the major factor that contributes to the large differences in equalized net household wealth. To explain the huge differences in the homeownership rates, the paper provides an overview of the housing markets in Germany, Spain, France, and Italy, and illustrates the compositions of equalized net household wealth across quintiles for each country.