

Discussion:
“Cyclical Transactions and Wealth Inequality”
(Jung Sakong)

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“Central Banks, Financial Markets and Inequality”

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Summary

- ▶ **What.** “Buy high, sells low”: Poorer households consistently buy housing in booms (low exp return) and sell after a bust (high exp return) \Rightarrow Return heterogeneity \Rightarrow Wealth differentials.
- ▶ **How.** Estimate the trading patterns for households across wealth levels, United States 1988-2013.
 - 1940 Census: *surnames* \Rightarrow income percentiles \Rightarrow 2012/13 home ownership + SCF.
 - Estimate elasticity quantity-price (“beta”).
- ▶ **Findings**
 - Poorer households have higher beta (driven by between racial groups differences).
 - Interquartile-range difference is 60 basis points per year
 \Rightarrow It explains 20% of interquartile-range wealth inequality.
 - Higher volatility (local) \Rightarrow higher wealth inequality than income inequality.

Comments I

- ▶ I really enjoyed reading the paper!
 - Very nice data contribution (housing panel by property and year).
 - Results fit nicely with some other recent work, e.g. [Martínez-Toledano \(2020\)](#).
- ▶ Comprehensive data framework + theoretical explanation of findings.
- ▶ **Policy implications**
 - If policies incentivise home purchases when prices are high, wealth inequality ↑.
 - You could discuss this a bit more at the end of the paper.

Comments II

► Migration

- One surname for each owner in the year at property level, at which you assign the surname-level average income (and percentile) from 1940 Census.
- What about surname that were not part of 1940 Census?

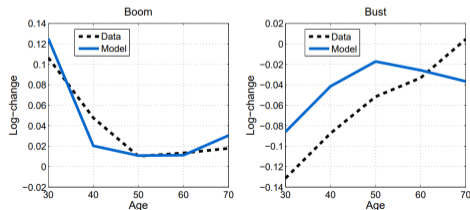
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► Boom-bust dynamic (Kaplan et al., 2020)

- Belief shock (future housing demand) reduces home ownership during the boom, but reverses due to productivity shock and credit conditions shock.
- Age differentials (can relate to wealth). Can you get age information?

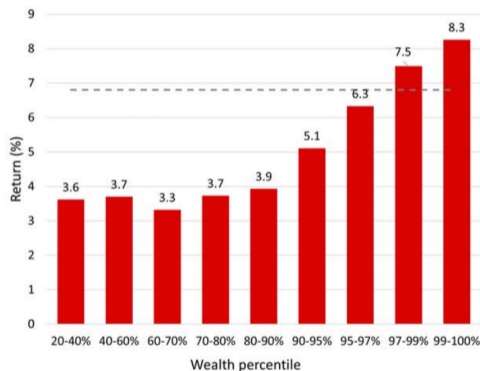


Comments III

- ▶ interquartile range return differential is 1% in Norway [Fagereng et al. \(2020\)](#)
 ⇒ in your paper: *60% of return differential due to timing.*
- ▶ [Xavier \(2021\)](#) interquartile differentials (1989–2019) not large, big difference at the very top.
- ▶ Would this affect your interpretation?
 - Non-linearity at the top between log home value and wealth.

Thank you!

Figure 3: Average return on wealth by percentile of wealth



[Xavier \(2021\)](#)

- Fagereng, A., Guiso, L., Malacrino, D., and Pistaferri, L. (2020). Heterogeneity and persistence in returns to wealth. *Econometrica*, 88(1):115–170.
- Kaplan, G., Mitman, K., and Violante, G. L. (2020). The housing boom and bust: Model meets evidence. *Journal of Political Economy*, 128(9):3285–3345.
- Martínez-Toledano, C. (2020). House price cycles, wealth inequality and portfolio reshuffling. *WID. World Working Paper*, 2.
- Xavier, I. (2021). Wealth inequality in the us: the role of heterogeneous returns. *SSRN Working Paper*.