

“Do Elderly reduce Housing Equity?”

Maria Concetta Chiuri and Tullio Jappelli

“Home ownership Inequality and the Access to Credit Markets”

Alena Bicăková and Eva Sierminska

Discussion by Ernesto Villanueva (Bank of Spain)

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All opinions are my own, and do not reflect those of the Bank of Spain

Common themes

- Home ownership patterns
 - consumption + asset
- Chiuri-Jappelli: test life-cycle model
 - Wealth zero end of life, depletion
- Bicakova-Sierminska: welfare
 - Access among youth
- Both exploit comparability in LWS
 - Exploit common definitions
 - Isolate cross-country variation in institutions

Chiuri and Jappelli

- Estimates age profile of home ownership
 - Life-cycle model: (eventual) switch from owning to renting after retirement
- Cross-country "synthetic cohorts" age profiles
 - Linear control for cohorts
 - No time dummies, cubic in age.
- Negative profile
 - More so in countries with worse (mortgage) markets

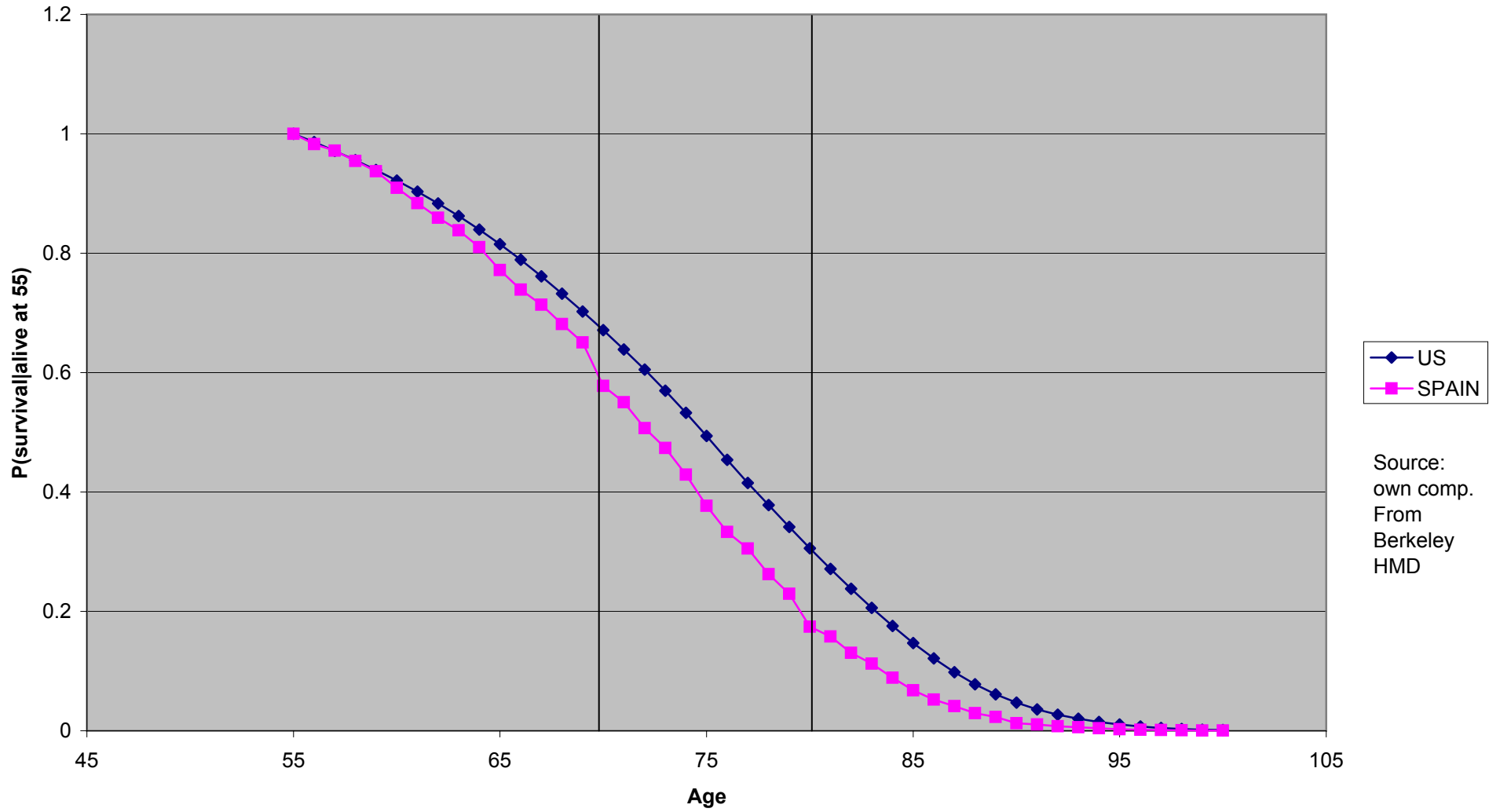
Comment (i): Setup

- LCM predicts total wealth decumulation.
- BUT focus on changes in the fraction of home owners
 - Extreme form of housing equity reduction (own->rent)
 - Secondary houses? Moving to cheaper owner-occupied housing?
 - What if people become renters BUT just keep the money?
- Alternative hypothesis?
 - Buffer stock against large out-of pocket expenses?
 - Bequest motive? (simple child- non child comparisons)
 - Kopczuk and Lupton, ReStud, 2006
 - Behavioral stories?

Comment (ii): Empirical strategy

- Measuring wealth depletion in old age typically hard
 - Selective mortality (mortality rises well before 80)
 - Attanasio and Hoynes, JHR
 - Nursing homes (outside conventional surveys)
 - Do people move to nursing homes only at 80?
 - Identifying cohort / time / ages
 - No time dummies, cubic in age, linear in cohort?
 - Reasonable, not uncontroversial
- “Need to control for cohorts, that capture differences in mortality and income”
 - Strong within- cohort variation in mortality and income
 - Health-income gradients
 - Disaggregate job cohorts by education groups?

Survival at each age, conditional on alive by 55,



Comment (iii); magnitudes

- 1-2% yearly drop: large or small?
 - Benchmark?
- Larger drop in IT than in UK, IR
 - Link between mortgage development and home ownership-age profile?
 - Cross-country variation in rental market?

2nd paper

Home ownership Inequality and Access to Credit markets

Alena Bicakova and Eva Sierminska

The paper

- Assume home ownership among young adults is welfare.
- Income gradient in home ownership: welfare dispersion
 - Credit constraints.
- Country-specific estimates
 - income-home ownership profile
 - income-mortgage borrowing profile
- Experiment: “move a person” in Italy to the UK

Comment (i) The setup

- Intro: welfare=lifetime income / total wealth
 - Interesting compare consumption, but hard.
 - Is home ownership welfare?
 - (among young adults)
 - Do we need the welfare interpretations?
- Gap incidence home ownership and borrowing.
 - Are we sure Italy is an outlier?
 - A response to credit constraints is delay home-ownership and save.

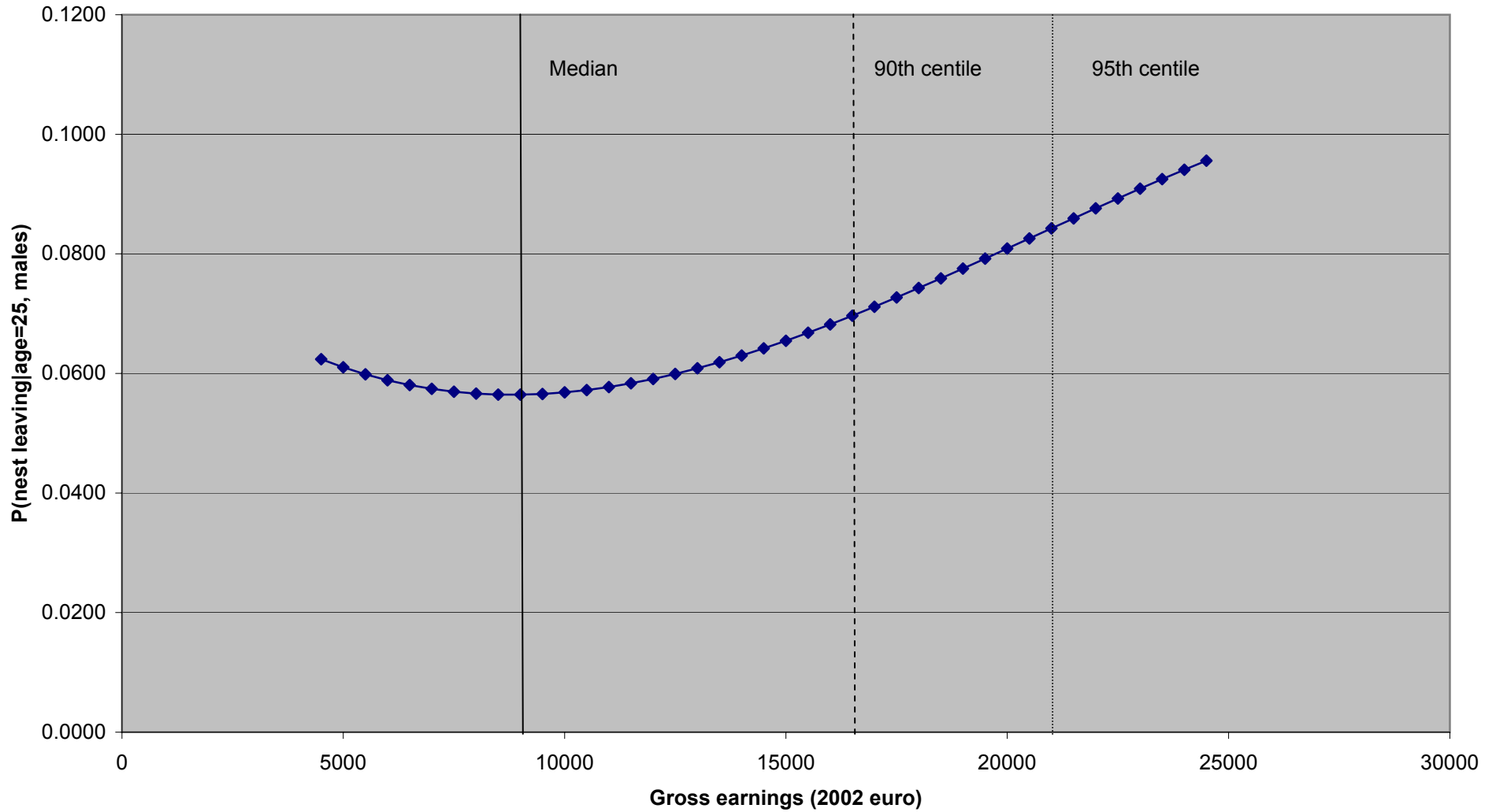
Comment (ii): The setup

- Reverse causality?
 - Mortgage markets develop where a demand for home ownership exists
 - Exposure to unemployment and income.
 - If risk deters home-ownership, hard to tell apart credit constraints vs simple demand factors
- Acknowledged, but discussion helpful.

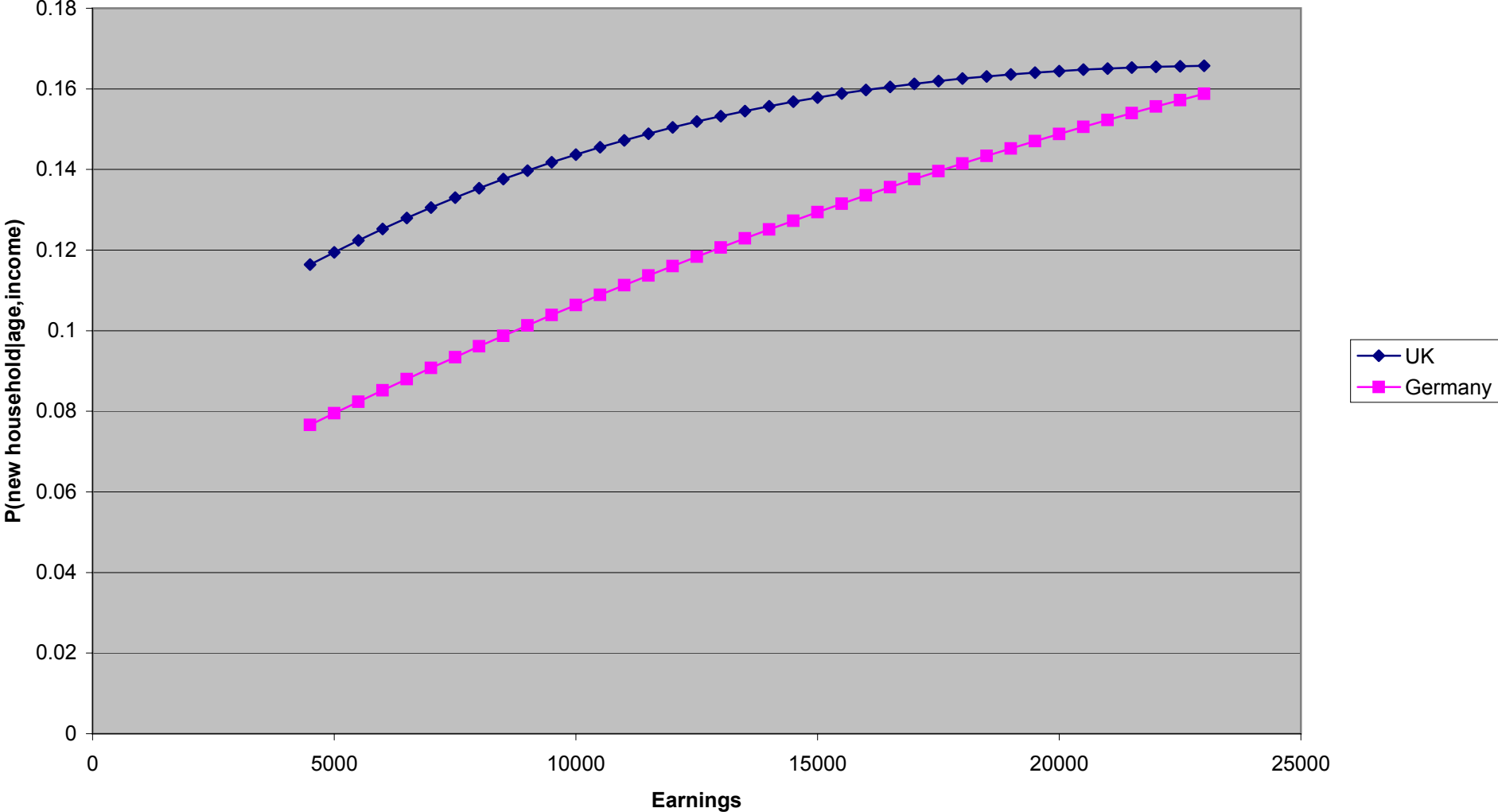
Comment (ii) Sample of heads

- Patterns of household formation (Becker et al., 2007)
 - 67% of 25-29 male Italians live with parents, 73 % of Finnish (??), 20% of UK.
- Marginal distribution of home ownership?
 - Can we think of coresidents as renters?
 - Are there that many Italian owners?

Portugal: Yearly predicted rate of household formation at age 25, males



Rates of household formation by income, age 25



Comment (ii), Ctd.

- Conditional distributions?
 - Coresidency rates decrease with income
 - Italian (Finnish!) samples may underestimate degree of inequality.
- Counterfactual: Give UK coefficients of (typical owner) to Italian?
 - Less of a problem US-UK
- Suggest using individuals, instead.