

Housing Inequality and how fiscal policy shapes it: Evidence from Belgian real estate (Domenech-Arumi, Gobbi and Magerman)

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October 21, 2022

Summary: The paper

- Compute the GINI based housing value and surface in Belgium at several level of aggregation: country, regions ,Municipalities
- Investigate the impact of a reform in stamp duty
- Promising paper raising many interesting questions
 - Probably many papers in 1, at least
 - 1 paper investigating the relationship between housing and income inequality
 - 1 paper on inequality in housing consumption
 - 1 paper on the differentiated incidence of the stamp duties
- I will provide some comments to go further.

Inequality of what?

- The first part starts from the concept of **Housing inequality**
- This concept combines two complex objects, I will focus on the second:
- How to measure inequality?
 - Top shares, Gini, Variance, Theil, Entropy etc...
- What is housing?
 - A capital good for its owner: Asset with a price (P) that enters your wealth that has a return R (the net rent)
 - A consumption good: provides a service associated with a gross rent or an imputed rent
 - A composite good: combining Land and a structure
 - Land = an address: associated with zoning, taxes, subsidies, Pollution , Regulations
 - A structure= Energy efficiency, depreciation , noise and surface

Inequality of what ?

- I would recommend to connect inequality in housing stock with a more common dimension: Income, Consumption or capital ?
 - What is the closest? :
 - Unit of observation: dwelling or household (regardless of the tenure status => inequality in housing consumption !
 - Unit of measurement: Price => This is the measurement of housing wealth (ANDRÉ and MESLIN 2021) !
 - Unit of measurement: Surface => This is the measurement of the consumption of structure (not land) !
 - No information on ownership, should probably focus on consumption and thus on **Rent** which measures the consumption of housing (land + structure)

Inequality in housing income / housing consumption

- The surface is a proxy for housing consumption
- The omission of **imputed rents** received by home owners lead to overestimate poverty and inequalities in France (Driant and Jacquot 2005): what about Belgium ?
- The sole inequalities in housing consumption is not so much discussed: worth 1 paper as even consumption of **structure** matters (Goux and Maurin 2005)
- But important unobservables: the composition of the household , secondary residences, vacant dwellings etc...

Inequality in housing consumption maps inequality in income

- Housing inequality might proxy income inequality because housing is a constant share of consumption
- The literature on the share of housing is a headache: sometimes share in consumption, in income etc...
- A constant share in consumption (i.e homothetic utility) is an assumption that is debated
- There are contradictory evidence (Combes, Duranton, and Gobillon 2019; Albouy, Ehrlich, and Liu 2016) even if housing remains a normal good
- Rich people save more, this has consequence on the mapping from housing share in consumption to housing share in income
- It's probably a lower bound for income inequalities

Stamp duties/ Transfer Taxes

- The frictions generated by stamp duties and their reforms passionate economists:
 - Impact on the volume of sales around the reform (Bérard and Trannoy 2018; Besley, Meads, and Surico 2014; Best and Kleven 2018): this worth a look in your setting
 - Welfare costs and externalities of these taxes " (Han, Ngai, and Sheedy 2021; Hilber and Lyytikäinen 2017; Eerola et al. 2021): on the rental sector, the labour market etc...

Heterogeneous impact of stamp duty reforms?

- The natural experiment identified a positive impact on prices in line with Han, Ngai, and Sheedy (2021)
- There is no easy mapping between price variation and inequalities:
 - This affects the value of dwellings: i.e capital inequalities
 - Redistributive impact might affect buyers or sellers following the incidence
 - Disentangling their respective share is tricky and requires to go structural (Brülhart et al. 2021)
 - it also requires to identify the owner
- The differentiated impact of the reform on market segments looks very promising
- Market are segmented (Piazzesi, Schneider, and Stroebele 2020) along which dimensions ? Submarkets with different elasticities ?

Summary

- Very Nice Paper**S**
- Very promising results (At least 2 papers for Top journals)
- Looking forward to see where it goes



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