

The Pattern of Home Ownership Across Cohorts and its Impact on the Net Wealth Distribution: Empirical Evidence from Germany and the US

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Paper Abstract: In this empirical paper we analyze the link between homeownership across cohorts and the net wealth distribution. In particular we are interested in the effect of the pattern of ownership across cohorts. Given that wealth accumulates over the life-cycle and that owners are wealthier than renters, past tenure choices, affecting today's share of owners for different cohorts, should be related to current wealth levels and inequality. In order to gauge the effect of the ownership structure over cohorts on the distribution of net wealth we impose the homeownership pattern of the US on Germany and ask: What would the net wealth distribution in Germany look like if German households were distributed across tenure status along cohorts the same way as those in the US? Our results indicate that the ownership rate and pattern within cohorts is closely linked to the wealth distribution. Imposing the structure of the US on Germany leads to a large increase in the German median and reduces wealth inequality. We show that some of these effects can be attributed to the difference in ownership shares between old cohorts in Germany and the US as often mentioned in the literature, but this effect appears to be less pronounced than expected. Past tenure choice indeed affects today's net wealth distribution.