

Comments



“Disentangling the Effect of Housing on Household Stock Holdings: Evidence from Japanese micro data”

by

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Summary

- ▶ This paper has examined the effects of housing on household's portfolio share of stocks, employing a micro survey data of households in the Tokyo Metropolitan Area during 2000-2015.



Summary

- ▶ An exogenous increase in land value (holding initial mortgage debt fixed) increases the portfolio share of stocks “positive wealth effect”, while an increase in initial mortgage debt (holding current land value fixed) reduces it “negative wealth effect”.



Summary

- Disentangle the effect of home equity and mortgage debt on households' portfolio share of stocks out of liquid financial assets, applying and modifying the instrumental variable approach by Chetty et al.(2017), because both housing and portfolio choices are endogenous that might be affected by unobserved factors.
- Very interesting paper!



Questions and Comments

▶ Is the title of the paper adequate?

#Disentangling the effect of “housing” on household stock holdings#

What is the underlying assumptions and/or justifications to use the value of residential land as a proxy for the property(housing) value?



Questions and Comments

The property (housing) value includes the value of land as well as the value of structure.

Home equity variable is constructed by subtracting current mortgage debt outstanding of housing from the current land value. Perhaps more negative equity households will appear in the data compared to the actual situation.

Questions and Comments

- ▶ Need more persuasive justification of the sample selection criteria.
- Not exclude negative equity households
- Exclude the following households
 - Renters
 - Homeowners that do not have info on Land value (e.g., those living in an apartment)
 - No mortgage debts, liquid financial assets
 - Difference between the current mortgage interest rate (national average) and the interest rate in the year of borrowing is more than 1 percentage point



Questions and Comments

- ▶ Is the self-evaluated (self-assessed) land value reliable? (Is it a good proxy for the market value of land?)
- ▶ Is the Home equity variable(burden) under the recourse-loan system the same form as the non recourse-loan system?



Questions and Comments

▶ Is it possible to generalize the results to the whole Japan?

It is better to address (show the justification that) the obtained results are not limited to the Tokyo Metropolitan Area.