REPRODUCTION OF SOCIAL INEQUALITY THROUGH HOUSING

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POLICY CONTEXT: INTERNATIONAL ISSUE OF GROWING INEQUALITY IN WEALTH

U.S. political hot-button issue

Thomas Piketty, *Capital in the 21st Century*
... little attention paid by scholars to role of housing wealth in the intergenerational reproduction of social inequality, esp. across 3 generations, and how geographic variations in home price appreciation affect inequalities in opportunity across space
#1: Is the ownership of real property by grandparents strongly related to the housing wealth held by their young adult grandchildren?
• #2: To what degree is this relationship influenced by the geographical location in which the grandparents’ property was located?
• #3: To what degree is this relationship direct from grandparents to grandchildren, or mediated via parents’ and grandchildren’s SES?
We estimate OLS & Tobit models of grandchildren’s propensity to own homes & value of home that they own, respectively; SEM used to quantify direct & indirect effects.

Norwegian register data on three generations linked 1960 to 2015.
Those whose grandparents owned a large home in Oslo in 1960 had a much higher probability of owning a home in 2014, and among owners their dwellings were valued substantially more

[compared to otherwise similar individuals whose otherwise similar grandparents were renters not living in Norwegian cities]
DATA AND ANALYSIS SAMPLE

Data Sources: Norwegian population & housing censuses of 1960 & 1990; population registers of Statistics Norway; Directorate of Taxes; Labor and Welfare Administration

Sample: Norwegian natives aged 25 to 44 years living in an independent household in Norway 1/1/2015; both paternal & maternal family lines had at least one living grandparent in 1960 (else no info); N = 661,798
Whether young adults owned their own home in 2014 (mean = .62)

The log value of the home that was owned (if any); estimated by hedonic model of Statistics Norway
### Maternal & Paternal Grandparents’ Housing Status in 1960:

<table>
<thead>
<tr>
<th></th>
<th>Own 1-3</th>
<th>Own 4</th>
<th>Own 5+</th>
<th>Rent all</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oslo</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tier-2 City</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other NOR</strong></td>
<td></td>
<td></td>
<td></td>
<td>reference</td>
</tr>
</tbody>
</table>
OSLO AND TIER-2 METROS IN NORWAY: POPULATIONS

Metro pops.:

Oslo:
1.3 million

Tier-2
Range from
76,000 – 394,000
OSLO AND NORWAY: HOME PRICE APPRECIATION 1982-2014

Oslo:
353%

Norway
Overall:
287%

(all CPI-Adjusted)
CONTROL VARIABLES: GRANDPARENTS

Log Income in 1967 ($2014), Both Grandparents

Birth Years of Both Grandparents

Death Years of Both Grandparents

Whether either Grandparent Lived in 1960 in Same City where Grandchild Lived in 2015
CONTROL VARIABLES: PARENTS

Educational attainment (highest)

Log Mean Income over 1st 20 years of Child’s Life ($2014); both parents

Log Taxable Financial and Property Capital, 1993 ($2014); both parents

Birth Years, both parents

# children

# Decades Alive; both parents
CONTROL VARIABLES: YOUNG ADULTS

Educational Attainment (highest in household)

Log Net Disposable Household Income, 2014

Log Household Taxable Financial Capital, 2014

Birth Year

# Siblings

Marital status, 2014

# Children, 2014

Student Status, 2014
ANSWERING RESEARCH QUESTIONS #1 & #2

- Is the ownership of real property by grandparents strongly related to the housing wealth held by their young adult grandchildren?
- To what degree is this relationship influenced by the geographical location in which the grandparents’ property is located?

**OLS [& Logit] models of homeownership**

**Tobit model of value of owned home**
### ANSWEERING RESEARCH QUESTIONS #1 & #2: PROBABILITY OF OWNING A DWELLING (OLS)

Maternal & Paternal Grandparents’ housing status in 1960:

<table>
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<tr>
<th># Rooms:</th>
<th>Own 1-3</th>
<th>Own 4</th>
<th>Own 5+</th>
<th>Rent all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oslo</td>
<td>0.02 (.02)</td>
<td>0.03 (.02)</td>
<td>0.06 (.02)</td>
<td>0.01 (.01)</td>
</tr>
<tr>
<td>Tier-2 City</td>
<td>0.02 (.01)</td>
<td>0.02 (.01)</td>
<td>0.02 (.01)</td>
<td>0.00</td>
</tr>
<tr>
<td>Other NOR</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>[ref]</td>
</tr>
</tbody>
</table>

[parenthetical terms = with parental & young adult SES controls]
ANSWERING RESEARCH QUESTIONS #1 & #2: LOG VALUE OF OWNERS’ DWELLINGS (OLS)

Maternal & Paternal Grandparents’ housing status in 1960:

<table>
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<tr>
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<th>Own</th>
<th>Own</th>
<th>Own</th>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-3</td>
<td>4</td>
<td>5+</td>
<td>all</td>
</tr>
<tr>
<td>Oslo</td>
<td>.10 (.09)</td>
<td>.15 (.12)</td>
<td>.29 (.20)</td>
<td>.09 (.08)</td>
</tr>
<tr>
<td>Tier-2 City</td>
<td>.11 (.11)</td>
<td>.13 (.11)</td>
<td>.16 (.12)</td>
<td>.11 (.10)</td>
</tr>
<tr>
<td>Other NOR</td>
<td>-.02 (-.01)</td>
<td>.00 (.00)</td>
<td>.03 (.02)</td>
<td>[ref]</td>
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</tbody>
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(parenthetical terms = with parental & young adult SES controls)
ANSWERING RESEARCH QUESTION #3

• To what degree is this relationship direct from grandparents to grandchildren, or mediated via parents’ and grandchildren’s SES?

SEM (linear path model)
Indirect effects via parents’ and young adults’ SES are substantial (38% - 73% of total effect)

Share of indirect effects directly related to size of total effect

→ grandparents’ housing wealth aids parents’ education, income & wealth → aids grandchildren's education & income + parental transfers → aids grandchildren buying a home
ANSWERING RESEARCH QUESTION #3
LOG VALUE OF OWNED DWELLING

Indirect effects via parents’ and young adults’ SES are less substantial (only 11% - 31% of total effect)

Share of indirect effects directly related to size of total effect

→ grandparents’ housing wealth directly aids grandchildren via gifts and transfers → aids their buying a more expensive home
SUMMARY OF FINDINGS
Is ownership of real property by grandparents strongly related to housing wealth held by their young adult grandchildren, though perhaps with large spatial variations?
RESEARCH QUESTIONS #1, #2

Young adults whose grandparents owned a large house in Oslo in 1960 had:

.06 (10% of mean) higher probability of owning a house, and its value was 29% greater (≈ mean annual income)...

than demographically similar young adults with similar grandparents who rented in rural Norway in 1960
RESEARCH QUESTION #3

To what degree is this relationship direct from grandparents to grandchildren, or mediated parents’ and grandchildren’s SES?

Buying a home: primarily mediated via parental SES (not grandchildren’s SES)

Value of home: primarily direct via transfers from grandparents
Family housing history plays vital role in housing market outcomes of current generation...

ownership of well-located real property provides a key vehicle for transferring wealth across generations, perpetuating social and spatial inequalities thereby.

→ Geography plays huge role in process of intergenerational replication of wealth
Urbanization and housing market forces create policy challenges for creating a more egalitarian social structure that provides more equal opportunities across generations.

- Wealth Taxes?
- Estate Taxes?
- Expanding Access to Homeownership?
- Alternative Vehicles for Wealth Accumulation besides Housing?
Good fortune of having a grandparent owning a valuable home... indeed provides a good fortune.