

Asymmetric Consumption Response to the Housing Wealth Changes*

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Abstract

This paper examines the impact of changes in housing wealth on consumption behavior using data from the Keio Household Panel Survey. For an average household, we find the elasticity of consumption spending with respect to home equity is roughly 1.7 percent. Furthermore, we find asymmetric response to house price changes—housing wealth effects are substantially larger for households whose consumption levels are below some reference consumption level. These results are broadly consistent with the theoretical model that household's preference is reference-dependent and exhibits loss aversion.

JEL classification: D03, D12, E21

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