



Contents lists available at ScienceDirect

## European Journal of Political Economy

journal homepage: [www.elsevier.com/locate/ejpe](http://www.elsevier.com/locate/ejpe)

## Housing property rights and subjective wellbeing in urban China

Zhiming Cheng<sup>a,\*</sup>, Stephen P. King<sup>b,c,1</sup>, Russell Smyth<sup>b,1</sup>, Haining Wang<sup>d,e,1</sup><sup>a</sup> Centre for the Health Economy, Macquarie University, New South Wales 2109, Australia<sup>b</sup> Department of Economics, Monash Business School, Monash University, Victoria 3800, Australia<sup>c</sup> The Productivity Commission, Level 12, 530 Collins Street, Melbourne, Victoria 3000, Australia<sup>d</sup> Centre for Economic Research, Shandong University, Jinan, Shandong 250100, China<sup>e</sup> Institute for Studies in County Development, Shandong University, Jinan, Shandong 250100, China

## ARTICLE INFO

## Article history:

Received 9 June 2015

Received in revised form 1 August 2016

Accepted 2 August 2016

Available online 4 August 2016

## JEL classification:

I31

G21

K11

R21

R31

## Keywords:

Subjective wellbeing

Housing property rights

Home ownership

Home loan

China

## ABSTRACT

This study explores the relationship between home ownership and subjective wellbeing in urban China. We first present a theoretical model examining the relationship between housing property rights and subjective wellbeing in China. We then test the predictions of the theoretical model using a nationally representative dataset. We find that not only home ownership but also the types of property rights one acquires matter for subjective wellbeing. Moreover, not only whether one has a home loan, but the type of home loan one has matters for subjective wellbeing.

© 2016 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

## 1. Introduction

In urban China an egalitarianism-oriented housing system was previously used to allocate free houses to urban residents working in the state sector, which was the predominant provider of jobs (Cheng and Beresford, 2012). In the 1990s housing reform gradually abandoned the old system and established a housing market. Since then housing has become a major topic in urban China (Cheng, 2011, 2012). In 2009 the television drama *woju* (Dwelling Narrowness) that depicted the difficulty, and frustration, of buying a home in cities provoked national discussion and debate on housing affordability confronting Chinese households (Liang, 2010). Rapidly rising house prices and increasing housing inequality have been reshaping the Chinese urban landscape and impacting on the subjective wellbeing of the urban population.

There are large economics and psychology literatures on the determinants of subjective wellbeing (see Dolan et al., 2008 for a review). There are, however, relatively few studies on the relationship between home ownership and subjective wellbeing

\* Corresponding author.

E-mail addresses: [zhiming.cheng@mq.edu.au](mailto:zhiming.cheng@mq.edu.au) (Z. Cheng), [stephen.king@monash.edu](mailto:stephen.king@monash.edu) (S.P. King), [russell.smyth@monash.edu](mailto:russell.smyth@monash.edu) (R. Smyth), [haining.wang@sdu.edu.cn](mailto:haining.wang@sdu.edu.cn) (H. Wang).<sup>1</sup> These authors contributed equally to this work.

(as opposed to the relationship between home ownership and housing satisfaction, for which there are more studies – see review in Zumbro, 2014).<sup>2</sup> Findings on the relationship between home ownership and subjective wellbeing are mixed. Most studies have found that homeowners have higher subjective wellbeing (see e.g. Stillman and Liang, 2010; Ruprah, 2010; Zumbro, 2014). However, Rossi and Weber (1996) only found weak support for the hypothesis that there is a positive relationship between home ownership and subjective wellbeing, with many variables insignificant. Meanwhile, other studies have found that once one controls for demographic differences, there is no evidence that homeowners have higher subjective wellbeing than non-homeowners (see e.g. Bucchianeri, 2009).

There is a growing body of literature on the determinants of subjective wellbeing in China (see e.g. Cheng, 2014; Cheng and Smyth, 2015a, 2015b; Cheng et al., 2014, 2015, in press; Gao and Smyth, 2011; Knight et al., 2009; Mishra et al., 2014; Wang et al., 2014). This study contributes to this literature through studying the relationship between home ownership and subjective wellbeing in China. This study also contributes to the literature on the socioeconomic, demographic and political effects of housing in comparative perspective (Zavisca and Gerber, in press). We present a theoretical model linking a gradient of property rights in housing to subjective wellbeing in China and empirically test the predictions of the theoretical model. To do so, we use the China Household Finance Survey (CHFS), which was collected from over 5000 urban residents in 2011 from all provinces and municipalities in mainland China, except Xinjiang, Tibet and Inner Mongolia. Compared with other datasets that contain information on home ownership and subjective wellbeing in China, such as the Chinese General Social Survey (CGSS), the CHFS has several advantages. Specifically, with the CHFS we are able to examine a range of ownership forms (full, partial and minor) and not only consider whether homeowners have a home loan, but also the source of the loan. We are also able to control for a rich set of confounding factors, including house value and household wealth.

A problem with examining the effect of home ownership on subjective wellbeing is that the estimates may potentially be biased, reflecting concerns with endogeneity and omitted variables. While this means that our findings have to be viewed with caution, we attempt to address these concerns in a number of ways. To address concerns with omitted variables bias we include a rich set of confounding factors in the regressions, including house value, a number of indicators of household wealth, migration status, work unit (*danwei*), employment relations (*bianzhi*), occupation, industry and province fixed effects.

We use a range of alternative strategies to address concerns about endogeneity. First, of the potentially endogenous variables, income is usually regarded as the most troublesome in subjective wellbeing regressions (see e.g. Knight et al., 2009). We instrument for income using both a conventional instrumental variable (industry-occupation-province yearly household consumption expenditure per capita in the year before the survey) and the approach recently proposed by Lewbel (2012), which is an identification strategy that does not rely on external instruments, but rather, constructs an internal instrumental variable based on the presence of heteroscedasticity in the data.

Second, as an alternative approach to addressing endogeneity we use matching estimates of the average treatment effect of home ownership on life satisfaction.

Third, Ferrer-i-Carbonell and Frijters (2004) suggest that it is important to take account of fixed individual traits in happiness studies. Hence, as a further robustness check on the results from the CHFS, we used panel data for 2009–2011 from the China Health and Nutrition Survey (CHNS) and the 2010–2012 China Family Panel Studies (CFPS) to conduct fixed effects regressions. Each of these approaches is explained in more detail in the methods section. Overall, it is reassuring that the main findings with respect to home ownership are robust across methods.

The only study in the English language literature on the relationship between home ownership and subjective wellbeing in China is Hu (2013), who uses the 2006 CGSS. Hu (2013) examines the relationship between a binary variable, home ownership, and subjective wellbeing. Our study differs from Hu (2013) in several ways. First, we examine a more recent period, using a more recent dataset. Second, in addition to considering the role of a binary variable, home ownership, we examine the role of different types of property rights – full, partial and minor ownership – on subjective wellbeing. Third, unlike Hu (2013), we examine the role of having a mortgage and a range of different sorts of home loans on subjective wellbeing. Fourth, unlike Hu (2013), we attempt to address the endogeneity of income using a range of strategies as discussed above. Finally, and again in contrast to Hu (2013), we control for a wider range of variables including household wealth and house value to minimize omitted variable bias.

Foreshadowing the main results, first, we find that home ownership is positively correlated with life satisfaction. Second, we find that full ownership, partial ownership and minor ownership are each positively related with life satisfaction and that the coefficient on full ownership is larger than partial ownership, which, in turn, is larger than minor ownership, consistent with the predictions of the theoretical model.

## 2. Conceptual framework

In this section we present a simple model that captures several stylised facts about home ownership. Our model focuses on the different ownership forms that exist in China and how these interact with an individual's subjective wellbeing. In this respect, China not only has renters and homeowners; it also has different forms of home ownership. Homeowners can have full, partial or minor ownership and these differ in terms of security and liquidity. Full ownership is where the owner has a property deed issued by state authority, which is transferrable in the housing market. Partial ownership is where the owner does not have a state-issued property deed. Partial property rights are usually acquired with housing purchased at prices subsidised by

<sup>2</sup> The related literature that examines the effect of home ownership on housing satisfaction includes Elsinga and Hoekstra (2005) and Diaz-Serrano (2009). There are a few studies for China examining determinants of housing or residential satisfaction, including Chen et al. (2013) and Huang et al. (2015). While related to this study, the main outcome variable of interest – housing satisfaction versus subjective wellbeing – differ. We focus on the effect of housing property rights on a broader measure of wellbeing than these studies.

Download English Version:

<https://daneshyari.com/en/article/5067819>

Download Persian Version:

<https://daneshyari.com/article/5067819>

[Daneshyari.com](https://daneshyari.com)