



Cross-Country Analysis of Inflation Experiences and Homeownership: A Qualitative Review

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Abstract. *This qualitative literature review examines the relationship between inflation experiences and homeownership across countries. Drawing on a synthesis of existing research, the review explores how historical inflation contexts influence individuals' decisions to invest in real estate. Findings indicate that periods of high inflation often motivate individuals to view homeownership as a hedge against inflationary pressures, particularly in economies with volatile economic conditions. Institutional factors, such as mortgage market structures and housing policies, play a crucial role in shaping this relationship, influencing overall homeownership rates across different regions. Immigrant populations bring unique perspectives, as their housing decisions in host countries are influenced by inflation experiences in their countries of origin. The review highlights methodological diversity and calls for more longitudinal and cross-country studies to enhance the robustness and generalizability of findings. Addressing these dynamics can provide insights into effective policy interventions aimed at promoting sustainable housing markets globally.*

Keywords: *Inflation experiences, homeownership, housing market, cross-country analysis, institutional factors*

Abstrak. Tinjauan literatur kualitatif ini mengkaji hubungan antara pengalaman menghadapi inflasi dan kepemilikan rumah di berbagai negara. Dengan menggabungkan penelitian yang sudah ada, tinjauan ini mengeksplorasi bagaimana konteks historis inflasi memengaruhi keputusan individu untuk berinvestasi di sektor properti. Temuan menunjukkan bahwa periode inflasi tinggi sering kali mendorong individu untuk melihat kepemilikan rumah sebagai bentuk perlindungan nilai terhadap tekanan inflasi, terutama di negara-negara dengan kondisi ekonomi yang tidak stabil. Faktor kelembagaan, seperti struktur pasar hipotek dan kebijakan perumahan, memainkan peran penting dalam membentuk hubungan ini, yang memengaruhi tingkat kepemilikan rumah di berbagai wilayah. Populasi imigran membawa perspektif unik, karena keputusan perumahan mereka di negara tujuan dipengaruhi oleh kejadian inflasi di negara asal mereka. Tinjauan ini menyoroti keragaman metodologi dan menyerukan lebih banyak studi longitudinal dan lintas negara untuk meningkatkan kekuatan dan generalisasi temuan. Memahami dinamika ini dapat memberikan wawasan mengenai intervensi kebijakan yang efektif dalam mempromosikan pasar perumahan yang berkelanjutan secara global.

Kata kunci: Pengalaman Inflasi, kepemilikan rumah, pasar perumahan, analisis lintas negara, faktor kelembagaan

1. INTRODUCTION

In recent decades, the relationship between inflation experiences and homeownership has garnered increasing attention among economists and policymakers alike. This qualitative literature review explores the nuanced interplay between historical inflation rates and the propensity for individuals and households to pursue homeownership, both within and across countries. The premise underlying this investigation is the hypothesis that past inflation experiences significantly shape individuals' attitudes and decisions regarding housing tenure.

Empirical studies have highlighted varying perspectives on how inflation experiences influence homeownership dynamics. Malmendier and Wellsjo (2024) emphasize the role of

inflation protection as a motivator for homeownership, particularly following periods of high inflation. Their work underscores the notion that individuals view homeownership as a hedge against inflationary pressures, thereby altering their investment preferences in favor of real assets such as housing.

Further empirical evidence from household-level data across 22 European countries supports the contention that higher exposure to historical inflation correlates positively with increased homeownership rates (Malmendier & Wellsjo, 2024). This association persists even among immigrants to the United States who bring diverse inflation experiences from their home countries but encounter a common U.S. housing market context.

The theoretical underpinning often revolves around the concept of "experience effects," positing that individuals' economic behaviors are profoundly influenced by their past economic environments (Malmendier & Nagel, 2016). This framework suggests that those who have experienced high inflation periods tend to prioritize assets that offer inflation protection, such as owner-occupied housing with fixed-rate mortgages.

Consistent with the experience effects model, the relationship between inflation experiences and homeownership tends to be strongest in countries where fixed-rate mortgages are prevalent. This financial structure provides stability and predictability in housing costs, thereby appealing to individuals seeking to mitigate the uncertainties associated with inflation (Brounen et al., 2014).

The implications extend beyond individual decision-making to broader economic and social outcomes. For instance, macroeconomic experiences, including inflationary periods, have been linked to long-lasting effects on risk-taking behaviors and financial market dynamics (Malmendier et al., 2020). Such insights underscore the importance of understanding how historical economic contexts shape contemporary housing market dynamics and individual financial strategies.

This literature review synthesizes findings from various studies that explore the nexus between inflation experiences and homeownership across different contexts and time periods. By examining both qualitative survey data and quantitative analyses, it seeks to provide a comprehensive understanding of the multifaceted relationship between inflation experiences and housing tenure choices. In summary, this review aims to contribute to the existing literature by consolidating empirical evidence and theoretical insights that illuminate the mechanisms through which past inflation experiences influence individuals' decisions to rent or buy homes. By doing so, it underscores the relevance of historical economic contexts in shaping contemporary housing market behaviors and policy implications.

2. LITERATURE REVIEW

Inflation experiences play a crucial role in shaping individuals' decisions regarding homeownership, influencing both preferences and behaviors in housing markets. Research indicates that perceptions of inflation risk significantly impact the propensity to buy versus rent housing (Adelino et al., 2018). Individuals often view homeownership as a hedge against inflation, particularly following periods of economic instability where real assets offer perceived stability (Malmendier & Wellsjo, 2024).

Empirical studies across various economies highlight the enduring influence of historical inflation on housing tenure choices. For instance, Brounen et al. (2014) provide long-run evidence that periods of higher inflation correlate with increased demand for homeownership, as individuals seek to protect their assets from eroding purchasing power. This finding is consistent with earlier research by Anari and Kolari (2002), who noted similar trends in the relationship between inflation rates and real estate investment.

Moreover, the impact of inflation experiences on housing market dynamics extends beyond national borders. Evidence from European household data underscores that immigrants to the United States, bringing diverse inflation experiences from their home countries, exhibit differential preferences in the U.S. housing market (Malmendier & Wellsjo, 2024). This transnational perspective highlights the universality of inflation hedging motives in housing decisions.

Theoretical frameworks, such as the experience effects model, provide insights into the psychological and behavioral mechanisms underlying these trends. According to Malmendier and Nagel (2016), individuals' economic behaviors are heavily influenced by their past economic environments, shaping their risk preferences and investment strategies. This framework explains why individuals who have experienced high inflation periods may favor assets perceived to provide stable returns, such as owner-occupied housing with fixed-rate mortgages.

In addition to individual-level decision-making, macroeconomic experiences also impact broader economic outcomes. For example, historical inflation has been linked to shifts in financial market dynamics and risk-taking behaviors (Malmendier et al., 2020). Such findings underscore the interplay between microeconomic decisions and macroeconomic conditions in shaping housing market trends and overall economic resilience.

Overall, the literature converges on the significant role of inflation experiences in influencing homeownership decisions across different contexts. By synthesizing empirical evidence and theoretical frameworks, this review contributes to a deeper understanding of how historical economic contexts shape contemporary housing market behaviors and policy implications.

3. METHOD

This qualitative literature review employs a systematic approach to synthesize and analyze existing research on the relationship between inflation experiences and homeownership across different countries. The methodology focuses on identifying and critically evaluating peer-reviewed articles, empirical studies, and theoretical frameworks that explore the nexus between historical inflation rates and housing tenure choices (Adelino, Schoar, & Severino, 2018; Brounen et al., 2014). The stages are:

1. Identification of Literature: The initial phase involves comprehensive database searches across academic platforms. Keywords include "inflation experiences," "homeownership," "housing market," and variations thereof. The search aims to capture studies published in peer-reviewed journals and working papers that address the research topic from diverse perspectives (Malmendier & Wellsjo, 2024).
2. Selection Criteria: Articles are selected based on their relevance to the research question and the rigor of their methodology. Studies that provide empirical evidence, theoretical insights, or comprehensive reviews on inflation's impact on housing decisions are prioritized. Key inclusion criteria also consider the geographical scope of the study and the period under analysis to ensure a broad yet focused review (Malmendier et al., 2021).
3. Data Extraction and Synthesis: Selected studies are systematically reviewed to extract pertinent information, including key findings, methodologies employed, and theoretical frameworks utilized. This process involves categorizing studies based on their thematic relevance (e.g., inflation hedging motives, macroeconomic impacts) and identifying commonalities and discrepancies across different contexts (Malmendier & Nagel, 2016).
4. Critical Analysis: The synthesized findings are critically analyzed to identify patterns, gaps in existing literature, and methodological limitations. Special attention is given to variations in inflation experiences across countries and their implications for housing market dynamics. The analysis aims to provide a nuanced understanding of how historical economic contexts influence contemporary housing decisions (Brounen et al., 2014).

5. Synthesis of Results: The final stage involves synthesizing the reviewed literature to develop coherent narratives and theoretical insights. Emphasis is placed on integrating empirical evidence with theoretical frameworks, such as the experience effects model and behavioral economics perspectives, to elucidate the mechanisms through which inflation experiences shape homeownership patterns (Adelino et al., 2018).

4. RESULT

The qualitative synthesis of literature on the "Cross-Country Analysis of Inflation Experiences and Homeownership" reveals significant insights into the relationship between historical inflation experiences and homeownership decisions across diverse economic contexts. Research consistently highlights inflation experiences as crucial determinants of individuals' decisions to own homes. Studies such as those by Adelino, Schoar, and Severino (2018) underscore that perceptions of house price risk are heavily influenced by past inflationary periods, shaping long-term preferences for homeownership.

Across different countries, varying historical inflation rates significantly impact housing market behaviors. Brounen et al. (2014) provide empirical evidence suggesting that periods of high inflation often coincide with increased demand for homeownership as individuals seek to hedge against inflationary pressures through real estate investments.

The review identifies geographical variations in the relationship between inflation experiences and homeownership rates. Malmendier and Wellsjo (2024) argue that institutional factors, such as mortgage market structures (e.g., fixed vs. adjustable rate mortgages), moderate the extent to which inflation experiences influence housing tenure choices.

Studies examining immigrant populations highlight intriguing insights. For instance, Malmendier, Nagel, and Yan (2021) find that immigrants' decisions to purchase homes in their host countries are shaped not only by current economic conditions but also by inflation experiences in their countries of origin.

The synthesis underscores implications for housing policy. Understanding how past inflation experiences influence current housing decisions can inform policymakers about the efficacy of inflation-targeting policies and the design of mortgage market regulations (Brounen et al., 2014).

Critical appraisal of methodologies reveals the predominance of econometric approaches alongside qualitative analyses. Studies vary in sample sizes, data sources, and analytical techniques, highlighting the need for robust methodologies that account for heterogeneity across countries and over time (Adelino et al., 2018).

In conclusion, the qualitative literature review elucidates that historical inflation experiences exert substantial influence on homeownership decisions globally. By synthesizing empirical findings and theoretical frameworks, this review contributes to a deeper understanding of how macroeconomic contexts shape micro-level housing choices. Future research could explore longitudinal studies and cross-country comparisons to further unravel the complex interplay between inflation dynamics and housing market behaviors.

5. DISCUSSION

The qualitative literature review on the "Cross-Country Analysis of Inflation Experiences and Homeownership" provides a comprehensive synthesis of research exploring how historical inflation experiences influence homeownership decisions across different countries. This discussion examines key findings, methodological approaches, theoretical frameworks, and policy implications derived from the reviewed studies.

The reviewed literature consistently demonstrates that past inflation experiences play a crucial role in shaping individuals' decisions to become homeowners. Studies such as those by Adelino, Schoar, and Severino (2018) and Brounen et al. (2014) highlight that periods of high inflation often lead individuals to view homeownership as a hedge against inflationary pressures. This motive is particularly pronounced in countries with volatile inflation histories, where owning real estate is perceived as a more stable investment compared to other financial assets.

Across diverse economic contexts, the relationship between inflation experiences and homeownership rates varies significantly. Malmendier and Wellsjo (2024) argue that in economies with predominantly fixed-rate mortgages, individuals may be more inclined to purchase homes during periods of high inflation to lock in lower borrowing costs. Conversely, in economies where inflation has been historically low and stable, the impact on homeownership decisions may be less pronounced but still discernible.

Geographical variations in inflation experiences and institutional factors such as mortgage market structures further moderate the relationship between inflation and homeownership. For instance, Andersen (2011) and Andrews et al. (2011) find that countries with well-developed mortgage markets and stable inflation tend to exhibit higher homeownership rates overall, as economic stability fosters confidence in long-term investments like homeownership.

Studies focusing on immigrant populations provide additional insights into how inflation experiences in home countries influence housing decisions abroad. Malmendier,

Nagel, and Yan (2021) illustrate that immigrants often bring with them preferences shaped by past inflationary environments, influencing their adaptation to housing markets in host countries. Comparative analyses across immigrant groups reveal nuanced differences in housing tenure choices based on varying inflation experiences prior to migration (Malmendier et al., 2021).

The qualitative review emphasizes the methodological diversity in studying inflation and homeownership. While econometric approaches predominate, qualitative analyses and case studies (such as those by Brounen et al., 2014) offer deeper insights into the subjective perceptions and behavioral motivations underlying homeownership decisions. Incorporating diverse methodologies enhances the robustness of findings and allows for a comprehensive understanding of the multifaceted interactions between inflation dynamics and housing market behaviors.

The findings of this review carry significant implications for housing policy formulation and economic management. Policymakers can leverage insights from inflation experiences to design targeted policies that promote sustainable homeownership and financial stability. For example, Adelino et al. (2018) suggest that policies supporting mortgage market liquidity during inflationary periods can mitigate adverse effects on housing affordability and accessibility.

Comparing findings from previous studies further elucidates the nuanced relationship between inflation experiences and homeownership decisions: Adelino, Schoar, and Severino (2018) highlight the role of perceived house price risk in shaping homeownership motivations during inflationary periods. Brounen et al. (2014) provide longitudinal evidence supporting homeownership as a hedge against inflation over extended periods. Malmendier and Nagel (2016) offer insights into the psychological and behavioral impacts of inflation experiences on financial decision-making. Andersen (2011) and Andrews et al. (2011) underscore the importance of institutional frameworks in moderating inflation's effects on housing market behaviors.

In conclusion, the qualitative literature review on the "Cross-Country Analysis of Inflation Experiences and Homeownership" synthesizes empirical evidence and theoretical insights to deepen our understanding of how historical inflation contexts influence contemporary housing decisions globally. By integrating diverse methodologies and comparative perspectives, this discussion contributes to a comprehensive framework for studying the dynamic interactions between macroeconomic environments and micro-level housing behaviors. Future research could further explore longitudinal studies and cross-country

comparisons to refine policy recommendations and enhance the resilience of housing markets in the face of inflationary pressures.

6. CONCLUSION

The qualitative literature review on "Cross-Country Analysis of Inflation Experiences and Homeownership" provides valuable insights into how historical inflation contexts influence homeownership decisions globally. Synthesizing findings from diverse studies, the review underscores several key points:

Firstly, past inflation experiences significantly shape individuals' motivations to invest in homeownership. High inflation periods often prompt individuals to view real estate as a hedge against inflationary pressures, particularly in economies with volatile economic conditions (Adelino et al., 2018; Brounen et al., 2014).

Secondly, the review highlights the role of institutional factors and mortgage market structures in moderating the relationship between inflation and homeownership. Countries with stable inflation rates and well-developed mortgage markets tend to exhibit higher overall homeownership rates, reflecting greater confidence in long-term investments (Andersen, 2011; Andrews et al., 2011).

Thirdly, immigrant populations bring unique perspectives to this dynamic, often influenced by inflation experiences in their home countries. Studies suggest that immigrants' housing decisions in host countries are shaped by their prior exposure to inflation and economic instability (Malmendier et al., 2021).

7. LIMITATION

Despite the comprehensive insights provided, this qualitative review has several limitations:

1. **Generalizability:** The reviewed studies encompass diverse economic contexts and institutional settings, limiting the generalizability of findings across all countries. Variations in housing market regulations, cultural norms, and economic stability may influence the observed relationships differently in different regions.
2. **Data Availability and Quality:** Variations in data availability and quality across different countries and time periods could introduce biases or limitations in the synthesis of findings. Future research could benefit from more standardized data collection methodologies and longitudinal analyses.

3. Methodological Diversity: The review includes studies employing various methodologies, from econometric analyses to qualitative case studies. While this diversity enriches the understanding of the topic, it also challenges direct comparisons and requires careful interpretation of findings.

4. Temporal Dynamics: The impact of inflation experiences on homeownership decisions may evolve over time, influenced by changing economic conditions, policy interventions, and societal preferences. Longitudinal studies could provide deeper insights into these temporal dynamics.

Future research could address these limitations by conducting longitudinal studies to track changes in homeownership patterns over time in response to inflation experiences. Enhancing cross-country comparisons using standardized metrics and data sources to improve the robustness of findings. Exploring the intersection of inflation experiences with other macroeconomic factors (e.g., interest rates, income growth) to provide a more comprehensive understanding of housing market behaviors.

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