

THE FRENCH HOUSEHOLDS' PORTFOLIO THROUGH THE FINANCIAL ALMOST IDEAL DEMAND SYSTEM*

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Over the last decades, the composition of financial wealth of French households has dramatically changed. We seek explanatory factors for these changes by estimating an extended version of the Deaton and Muellbauer model applied to French households' portfolio choices. We find that most of the estimated parameters of the benchmark model are in line with economic priors. In particular, wealth and real returns are the key determinants of the long run dynamics of the different asset shares in the portfolio. We use the model to simulate the effect on French households' portfolio allocation for the replacement in 2018 of the various tax regimes of most financial products with a flat tax on savings income. We find that the flat tax should support investment in equities at the expense of life insurance contracts.

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