Priced-out: Rent Control and Wage Inequality

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Solid foundation: question + data + new idea

1. Empirical setting limitations
2. Data limitations
3. Additional data analysis
4. Other (for the authors)
Empirical design limitations

- Ideal (but impossible) experiment: randomly break rent control
- Gray-economy sublets vs. rent control
  - Individuals with children=11% of the sample (Table A1)
  - Typical in Portugal: rent-control tenant sublets rooms to young individuals (not the same family)
  - Estimated effect: early termination of informal sublets
  - **Suggestion:** Restrict sample to individuals with the same surname
- Loss of the renter vs. loss of the contract
  - E.g., effect of pension paid to spouse (“survivor’s pension”, 70% of original pension)?
  - **Suggestion:** RDD break at 65? Owners vs. renters above 65? Legacy vs. non-legacy? (Recover from previous version)
Data limitations

- Current analysis: intensive (shows up in QP) + extensive margin (apparently, by \# observations)
  - Limits of extensive margin analysis with QP
- **Suggestion:** data/variable dictionary with detailed explanations
  - Wages for workers with no job in QP (government sector, entrepreneurs)? 0?
  - Individuals who move to outside of the outskirts?
  - Definition of outskirts (which counties)?
- **Suggestions:**
  - Analysis on the intensive margin (best data)
  - Sensitivity analysis for missing earnings (e.g., papers w/ LEHD data, see Graham et al (2022))
Additional data analysis

- **Suggestion:** use the data to better understand effect on earnings. Examples:
  - QP data:
    - Establishment FE/location of the firm: working in lower CoL areas ⇒ lower compensation
    - Bargaining: difference between worker wage and average wage at establishment
  - Financial statements: probability of transitioning into “good” / “bad” firms (TFPR/profitability)
    - End of rent controls ⇒ labor allocation distortions?

- AKM estimation on selected sample ⇒ biased estimates
  - E.g. employer FE explains 99% of the wages in the audience
  - **Suggestion:** compute averages using ALL workers in Portugal (e.g., establishment/firm level, see Nekoei and Weber (2017))
Conclusion

- Solid foundation: question + data + new idea
- Suggestions:
  - Provide more evidence to support the empirical design
  - Address data limitations
  - Use the richness of the data to do additional analysis
Ost and Johansson (2023, Journal of Public Economics)
Random access to rent control in Sweden → lower earnings
  ▶ Increased propensity to enter higher education

**Suggestion:** establish differences between papers
  ▶ Heterogeneity by income levels
  ▶ New channel: worse job matches
Other

- Table with descriptive statistics
  - Balancing tests not enough to ”know” the sample
- Inconsistencies
  - Table 3: # observations do not sum up
    - Moved outskirts new job + moved outskirts same job > moved outskirts
    - Moved outskirts + stayed in the city < full sample
  - Bottom tercile = 25th percentile; top tercile = 60th percentile