

Priced-out: Rent Control and Wage Inequality

Geraldo Cerqueiro (Católica-Lisbon SBE)

Isaac Hacamo (Indiana University)

Pedro Raposo (Católica-Lisbon SBE)

Discussion by Gil Nogueira (Banco de Portugal)

06/19/2023

Comments

- ▶ 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 \Rightarrow 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 \Rightarrow labor allocation distortions?
- ▶ AKM estimation on selected sample \Rightarrow 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

Other

- ▶ 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