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Panel discussion of: Adverse effects of place-based policies?

David Neumark began the discussion. He expressed doubts about interpreting the results in terms of stigma policies. He questioned whether government decision-making processes utilized information not publicly available. In the United States, place-based policies typically rely on criteria such as poverty for which ample information is available. He then discussed the absence of evidence of a discontinuous effect on employment or income at the boundary. He suggested ruling out changes in demand and supply as an alternative explanation for house price changes at the boundary. He used the example of public housing potentially reducing demand for housing in certain neighbourhoods.

Georges de Ménénil followed, stating that he found it challenging to view the paper in terms of stigma policies. He highlighted that the policy addresses people going into public housing, while the study only observes private housing prices. He also noted that the main mechanism behind the effects remained unclear.

Next was Moritz Schularick, who emphasized that housing primarily serves as an asset with forward-looking components. He discussed the asset pricing perspective and suggested that the policy may have disappointed expectations about housing developments in the neighbourhood. He inquired whether the authors could examine rents in the affected areas to discern the primary mechanism underlying the results. He also asked if the effect in the paper represented an actual drop in house prices or simply less of an increase compared to the control group.

Hans Koster addressed the question about the drop in house prices, explaining that the authors found a relative drop, making it difficult to distinguish between an actual reduction and a smaller increase.

Nicola Limodio noted that other implications were left unexplored, emphasizing the need to consider metrics like the number of postings, rents and the number of vacant flats. He suggested differentiating between areas with no public housing (unaffected by the policy) and areas with some public housing outside the treatment, which are influenced by relocation and spill-over effects.

Ginevra Marandola wondered if the information effect might move in the opposite direction of the total effect found in the paper, suggesting that neighbourhoods unaffected by the policy could be perceived as safe and receive implicit positive news.

Lastly, Giacomo De Giorgi pointed out that in a spatial equilibrium model, changes at the threshold typically involve demand. He found it puzzling to see sharp price changes at the border, contrary to economic theory suggesting no change at the border.

Hans Koster responded to several comments. He emphasized that the authors employed a very localized identification method, negating the role of housing supply effects due to fixed effects. Focusing on areas near the border allowed them to eliminate some possible explanations and focus on potential economic mechanisms. Differences in neighbourhood quality were unlikely to explain the results because they are usually perceived as continuous over space. He further argued that since the negative effect appears only when focusing on the very local level, the authors proposed the stigma interpretation, but agreed that there may be other potential explanations. He then argued that the authors do not find the magnitude of the effects unreasonably large since reputation in housing markets matters and can also matter locally. Replying to the comment by Moritz Schularick regarding the forward-looking nature of housing prices, he explained that the authors performed some event studies which show that the price drop mainly occurred at the announcement of the policy, suggesting that it is related to the policy itself. Sensitivity checks ruled out interactions with other policies. He agreed that it is a good idea, to expand the analysis to rents and vacancies postings and also clarified that the authors have already explored alternative metrics, such as time on the market. However, in the Netherlands, most rents are controlled, making them unlikely to react to the policy. Finally, he agreed that the explanation for the findings may be positive news for untreated areas rather than a stigma effect in treated areas. The paper identifies a relative effect.