

Comments on Steven Raphael's “Homelessness and Housing Market Regulation”

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Overview

- Central question: does regulation of land and housing markets affect homelessness?
- Paper brings together two important research strands. Two literatures:
 - Is homelessness a housing problem, or something else?
 - How can we measure regulation, and how does it affect housing markets?

Lit. 1: homelessness and housing

- 1980s: homelessness becomes a more visible issue.
- First commentators: housing activists (e.g. Mitch Snyder) tie homelessness to housing markets, specifically 1980s cutbacks to supply-side housing programs.
 - (Note that demand side subsidies were increasing in 80s; but bricks-and-mortar cutbacks were controversial).

Lit. 2: homelessness and housing

- In mid, late 1980s other service providers, researchers then focus us on (e.g.) de-institutionalization of mentally ill, alcohol and drug addiction, connection to prior prison records. See, e.g. Burt and Cohen (1989), Jencks (1994).
- Then, back to housing, but from “the right.” Journalist William Tucker writes polemics connecting homelessness to rent control. In *The Excluded Americans*, he attempts some cross-city exploratory data analysis that purports to show link.
 - In addition to serious specification issues, he modifies dataset in ways that introduce biases.

Lit. 1: homelessness and housing

- Economists and other social scientists point out the obvious flaws in Tucker's work (series of univariate plots that ignore partial correlations among independent variables; sample selection problem; and overall fragility of results).
- Several analysts estimate better models on better data to investigate claims. See Lowry, Quigley, Early and Olsen.
 - Generally they find no statistically discernible connection between rent control and homelessness.
 - But they do find relationships between housing market conditions (rent; vacancy rates).

Lit. 1: homelessness and housing

- O'Flaherty's filtering model provides the most sophisticated analysis of housing's potential connection to homelessness extant.
- The present paper in many respects is picking up this thread, albeit with a much richer set of regulatory issues in play.

Lit. 2: regulation and housing markets

- Two important reviews: Olsen (1987) points out relative dearth of research on supply-side behavior of housing market. Fischel (1990) reviews regulatory impacts.
- Since 1987, there's been significant growth of supply side research (Malpezzi 2006).
- Both new construction, and housing from the existing stock (filtering), are analyzed.

Lit. 2: regulation and housing markets

- One important focus: effects of regulation (land use, development regulations, some rent control) on rents, asset prices, production.
 - Fischel points out that we focus on costs of regulation, less work estimating benefits.
 - Early case studies by George Peterson showed the way but were never published.
 - Cross-city study by Malpezzi (1996) found substantial costs of the most stringent regulations, little apparent benefit (mostly modest apparent reductions in commutes).

Lit. 2: regulation and housing markets

- Cross-MSA/state studies and case studies of individual markets are highly complementary.
- Case studies explore richness of complex real-world regulatory environments; but generalization open to question.
 - See Peterson, or Pollakowski and Wachter, for example.
- Cross-MSA or cross-state studies have power across markets but may miss important details.
 - See studies cited in Raphael, in Gyourko Summers and Saiz, and in Malpezzi (2006).
- Raphael's paper is an important extension of this literature.

Raphael's paper

- Well motivated.
- Well-chosen literature (expanded in this comment).
- Simple but fruitful approach.
- Solid empirics, which might be extended.

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Raphael's paper

- The crux of the paper: adopt the 50 states + D.C. as the unit of analysis.
- Use state-wise regulatory index of Gyourko, Saiz and Summers as the key policy variable.
- Taking current results at face value,
 - More stringent regulation yields a noticeable change in housing stocks (e.g. fewer mobile homes).
 - More stringent regulation yields higher rents and rent-to-income ratios.
 - Higher rents and R/Y yield higher rates of homelessness.
 - More stringent regulation yields higher rates of homelessness, through intervening variables rent and R/Y.

Raphael's paper

- Based on these results, simulate policy changes via the reductions in the regulatory index.
- Rents are endogenous, but regulation is treated as exogenous.
 - Malpezzi Chun and Green provides *limited* support for such an approach. More here?
- Taking current results at face value,
 - If all markets regulate “to median,” homelessness falls by something like 5-10%.
 - If all markets regulate “to minimum observed regulation,” homelessness falls by something like 1/5 to 1/3.
- Raphael emphasizes these are best considered “thought experiments” to consider potential importance of the policies, rather than precise point estimates of real world effects of a given change in an element of the index.

Some comments and suggestions

- Current setup, while solid, is somewhat *ad hoc*. Can we develop a more rigorous model of behavior behind these empirics?
- Empirics are limited by degrees of freedom. Nevertheless, can we add a variable measuring:
 - State-level amenities/agglomeration?
 - A measure of the urban structure of each state?
 - Climate?
 - A measure of economic conditions (e.g. employment growth, or unemployment?)

Some comments and suggestions

- Clarify the interpretation of the regulatory index. Extend the discussion already in the paper using the language of latent variables.
- Consider expanding the literature review to put this paper in the broader context discussed above.
- Can we also examine potential state-wise *benefits* of the most stringent regulatory environments?
 - My prior is they will be small, but there's much work to do here in the future.
 - A related point – why do extremely stringent regimes arise? Can we model regulations as endogenous? More on political economy? See Malpezzi Chun and Green, Ortalo-Magne and Prat, references therein.

Some literature

- See also references in Raphael's paper. I'm not repeating them here.
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