



Comments on Li, Shen & Zhang,
“Local Effects of Global Capital Flows:
A China Shock in the U.S. Housing Market”

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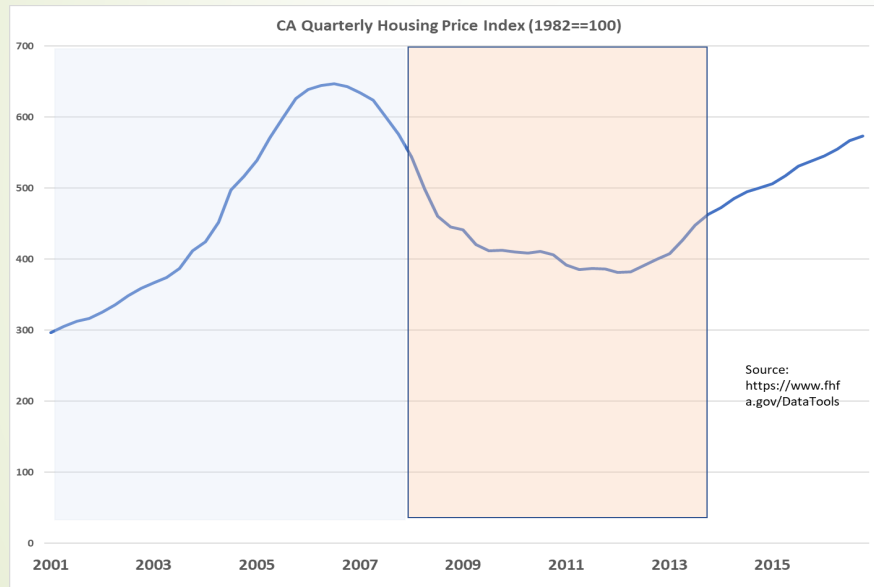


1. Novel and Convincing Findings

- ▶ Surge in real estate purchases by foreign Chinese starting 2008
 - ▶ Creative methodology for identifying these buyers
- ▶ Increased purchases concentrated in neighborhoods with higher ethnic Chinese population
 - ▶ Convincing setting to use shift-share instrument
- ▶ “Treatment” neighborhoods had:
 - ▶ Higher employment (non-tradable employment only)
 - ▶ Higher house prices
 - ▶ Higher average income
 - ▶ Fewer tax filers

Challenge of Counterfactual

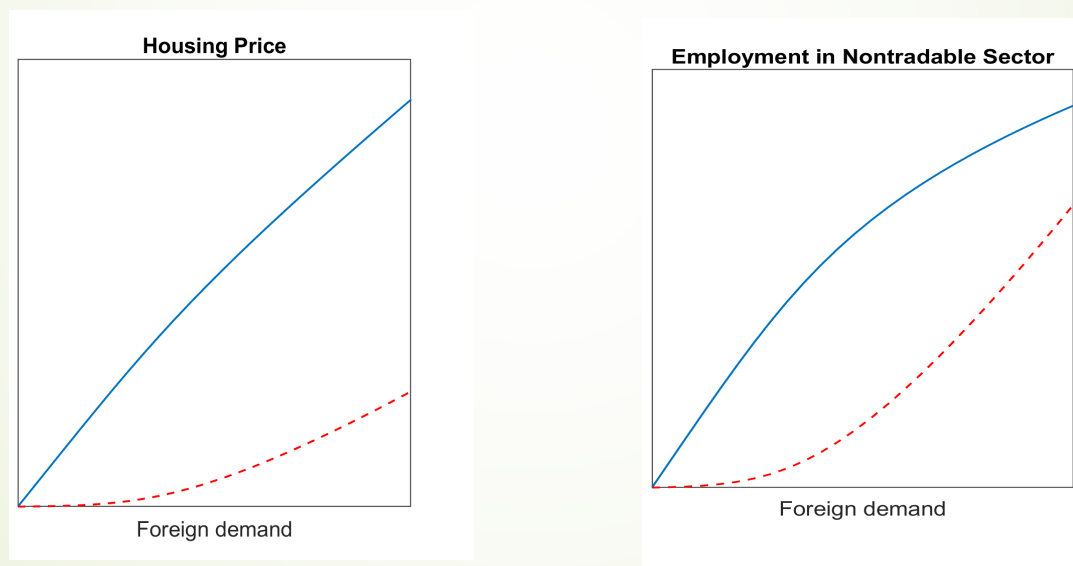
- Need to believe treatment neighborhoods would have evolved similarly to control neighborhoods in light of mortgage crisis and recession



- Pre-trends less useful than in some other contexts
- Control for baseline Zip characteristics*post, including measure of housing leverage

2. GE Effects

- ▶ Model: increases non-tradeable employment in both “treatment” and “control” neighborhoods due to increase house prices in both places
- ▶ **Treatment: Fewer but wealthier consumers, Control: More consumers**



- ▶ But empirics are using within county-year neighborhoods as comparison group. Understating price/employment effect?



3. Distributional Impacts

- ▶ Model does not focus on high versus low income consumers
- ▶ Empirically high house prices lead to higher income residents (not just housing net worth channel)
- ▶ Renters not described in the model, potentially worse off
- ▶ Interesting open questions about economic segregation, evolution of historically Chinese neighborhoods, etc.
- ▶ Use ACS zip code data: Who came/left zip? Who came/left county?

4. External Validity

- At a time when there is not mortgage crisis and recession in the background?
- If housing price shocks are driven by new residents rather than foreign investors who leave houses vacant?
- In a context without rent control, property tax limitations, school finance equalization?




FIGURE 3. GEOGRAPHIC DISTRIBUTION OF TREATED AND CONTROL BUILDINGS IN SAN FRANCISCO

Notes: The purple dots represent parcels in the treatment group, which are parcels corresponding to multi-family residences with 2–4 units in San Francisco that were built between 1900–1979. The green dots represent parcels in the control group, which are parcels corresponding to multi-family residences with 2–4 units in San Francisco that were built between 1980–1990. The gray dots represent other types of housing stocks such as single-family residences and multi-family residences with five or more units.



5. Next papers

- ▶ Effects on income segregation, Chinese ethnic segregation, housing-related hardship among “likely displaced”
 - ▶ Fiscal impacts on property taxes and expenditures
(unique property tax rules and school finance equalization)
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Thanks for an interesting, well-done,
and thought-provoking paper.

