Discussion of "Housing Markets and the Belief in Opportunity"

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My prior

Social mobility is about the ability of households to improve their position in the society across generations or over the life cycle.

- Can low-income households become middle class?
- Can children move beyond their parents' economic status?
- Can renters become owners?

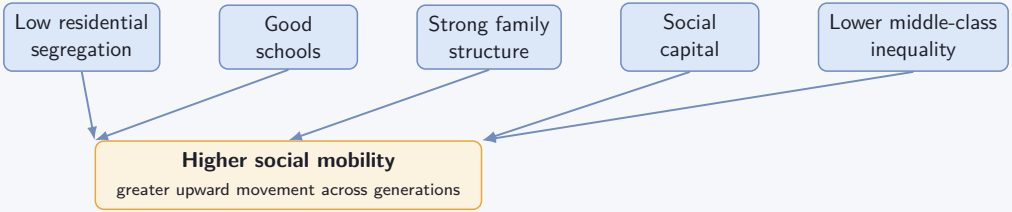
House prices and mobility

A city can have:

- high house prices and high mobility (high wages, strong credit access);
- or low house prices and low mobility (weak labor markets, stagnant incomes).

What actually predicts social mobility?

The mobility literature points to deeper determinants of opportunity than house prices alone.



My prior

Places with stronger mobility are not simply places with cheaper housing.

They are places with better institutions, schools, social cohesion, and less segregation.

Implication

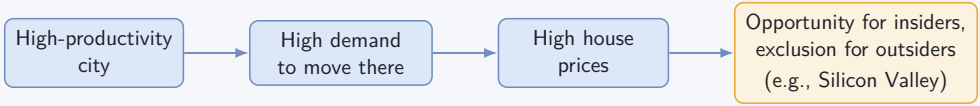
If respondents update mobility beliefs after housing news, they may be updating about these broader local characteristics — not about house prices per se.

High prices are ambiguous signals

The willingness-to-pay view

High house prices may reflect access to highly productive places:

- strong labor markets;
- high wages;
- entrepreneurship and innovation;
- valuable schools and networks.



Implication

High house prices are an ambiguous signal: they may reflect declining attainability, or the value of access to high-opportunity places.

This paper: "Do housing-market signals alter beliefs about social mobility?"

Housing choices determine what families can realistically access:

- the neighborhood they live in and the schools their children attend;
- the wealth they build over time;
- what, if anything, they can pass on to the next generation.

When house prices move, people may revise not just their house price expectations—but their **sense of whether upward social mobility is achievable at all**.

This paper

Question

Do housing-market and housing-policy signals change beliefs about social mobility?

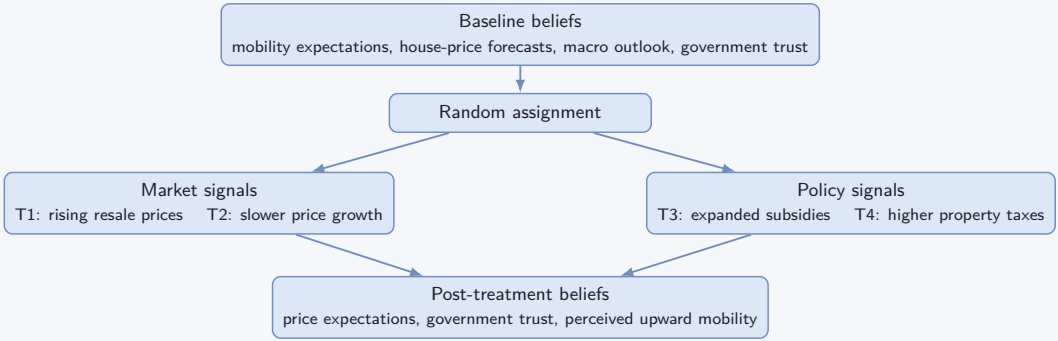
Setting

Singapore, where HDB public housing is the primary route to homeownership, the main savings vehicle, and a source of intergenerational wealth trasmission.

Design

A randomized information experiment that varies market signals (price trends) or policy signals (subsidies, taxes).

Experimental design



Main results

Signal	House-price beliefs	Government trust	Mobility from the bottom
Rising HDB resale prices	↑	↓	↓
Slower price growth	↓	—	—
Expanded subsidies	—	—	—
Higher property taxes	—	↓	↓

Adverse housing signals reduce perceived upward mobility from the bottom. Partial relief does not restore it.

Why I like the paper

1. Housing signals shift not just price expectations—they shift perceived opportunity.
2. The design compares price news and policy news in the same experiment.
3. Bad housing news moves mobility beliefs; reassuring news does not undo the pessimism.

Four comments

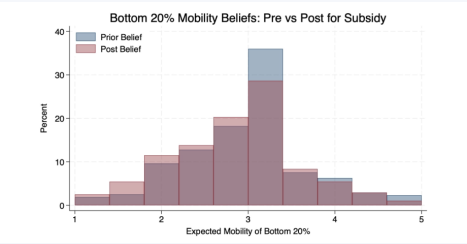
1. **Signal comprehension:** are the signals understood as intended?
2. **Benchmark and measurement:** what housing metric do respondents anchor on?
3. **Before–after panel:** estimate the belief revision directly.
4. **Mechanism and external validity:** in Singapore, housing news may also be government news.

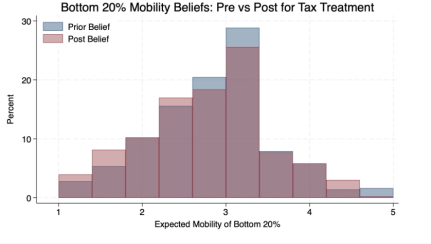
The asymmetry is the paper's strongest result.

But the same signals may have different interpretations. Maybe the two reassuring treatments are just not that positive.

- **Slower price growth** does not necessarily mean that affordability has improved (just they are growing slower).
- **Larger subsidies** may mean help is available, but also that some problem has become severe enough to require larger transfers.
- Especially the policy signals reflect endogenous government response to possible changes in economic and social conditions.

1) Are the signals understood as intended?





Prior and posterior beliefs about mobility from the bottom, after two policy-information treatments

Visual takeaway

Two different policy signals produce very similar-looking posterior shifts.

1) Are there more unambiguously positive signals?

To distinguish reference dependence from signal ambiguity, consider a more unambiguously positive attainability signal:

- house price-to-income ratios have improved;
- low-income first-time buyers have higher successful purchase rates;
- more young households buy without parental help.

Interpretation

If even these signals do not move mobility beliefs, the case for reference-dependent loss asymmetry becomes much stronger.

1) Do respondents understand the statistics?

Information experiments assume respondents interpret the signal as intended.

Joint hypothesis

A null or asymmetric response combines:

$$\text{observed update} = \text{understanding of the statistic} \times \text{interpretation of the mechanism.}$$

Survey details that would help

- Were treatment screens timed, skippable, or repeated?
- Were comprehension checks used in all arms or only policy arms?
- How many failed attention/comprehension checks by treatment arm?
- What exactly were respondents paid, and was compensation fixed or completion-based?

Inattention or confusion can attenuate effects, especially for the statistical signals.

2) Attainability relative to what?

Housing signals change whether upward mobility feels within reach. But "within reach" can mean different things.

Why this matters

Different mechanisms and policy lessons depending on the benchmark respondents use.

Possible benchmarks:

- buying *any* HDB flat;
- buying in a desirable neighborhood;
- owning by a socially expected age;
- accessing schools, amenities, and networks;
- buying without parental help.

Same treatment effect, different interpretation. It is also weird that there is no effects on respondents' own future mobility.

2) Is the HDB resale index the right signal?

The experiment uses the **HDB resale index** as the market signal.

But affordability is relative to income

$$\text{affordability} \approx \frac{\text{house price}}{\text{household income}} \quad \text{or} \quad \frac{\text{monthly payment}}{\text{monthly income}}.$$

Respondents may care less about resale prices per se and more about whether incomes, savings, and borrowing capacity keep up.

- price-to-income ratios;
- down payments relative to savings;
- monthly payments relative to income.
- BTO/new-flat affordability;
- parental transfers relative to own resources.

Concern

If the treatment moves price beliefs but not price-to-income beliefs, it may not identify the signal households use to assess opportunity.

3) Exploit the panel of beliefs

The main specifications are of the form:

$$Y_i^{post} = \alpha + \beta \, Treat_i + \gamma' X_i + \varepsilon_i.$$

The survey elicits **baseline and post-treatment** beliefs.

Concern

With only post outcomes, the treatment coefficient is less transparent:

$$\beta \approx \text{level differences across arms} + \text{treatment-induced updating}.$$

Randomization helps, but the object of interest is really the **belief revision**.
The main problem is in the interpretation of the tables on heterogeneity, which I thought described among the most interesting findings in the paper.

3) A cleaner difference-in-differences specification

Use the panel structure of the beliefs directly:

$$Y_{it} = \alpha_i + \lambda Post_t + \sum_k \beta_k \left(Treat_i^k \times Post_t \right) + \varepsilon_{it}.$$

Why this helps

- The coefficient is explicitly the **belief update** caused by the signal.
- Baseline differences are differenced out rather than absorbed by controls.
- It avoids the impression that $Treat_i$ is carrying both a treatment-arm level effect and the post-treatment update.

In Singapore, housing is deeply policy-mediated.

- HDB supply and rules
- eligibility thresholds
- CPF financing
- subsidies and grants
- resale restrictions
- property taxes

Question

When respondents see adverse housing news, are they updating about **affordability** or about **government capacity to preserve opportunity**?

4) Housing signal or government signal?

Both adverse treatments reduce trust:

- rising resale prices $\Rightarrow$ lower trust;
- higher property taxes $\Rightarrow$ lower trust.

Suggestion

Separate government competence, fairness, policy effectiveness, and general trust. This matters for mechanism and for external validity.

4) External validity follows from the mechanism

Singapore is a wonderful setting, but also a special one. What travels depends on what respondents are updating about.

If this is affordability

- Stronger for high-cost cities.
- Stronger for renters and young households.
- Stronger where housing is the main wealth ladder.

If this is institutional trust

- Stronger where housing is policy-mediated.
- Stronger where government owns the housing compact.
- Weaker in more decentralized private markets.

Framing

Position Singapore as a high-salience benchmark case, then state where the mechanism should be stronger or weaker across countries.

Conclusion

- I really like the paper: housing as a signal about the opportunity structure.
- The key result is powerful: adverse housing signals reduce perceived upward mobility from the bottom; partial relief does not restore it.
- Four suggestions:
  1. Test whether the signals are truly understood and provide the exact text of what was asked.
  2. Clarify the reference point and the relevant housing price measure.
  3. Use a DiD with the before–after design.
  4. Separate affordability from institutional trust, especially for external validity.

Housing markets shape opportunity not only by changing what people can afford, but by changing what people believe is within reach.