

Discussion of Barcelona, Converse and Wong "U.S. Housing as a Global Safe Asset: Evidence from China Shocks"

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The paper in a picture



Very important topic

- ▶ Real estate and foreign capital flows

Very difficult topic

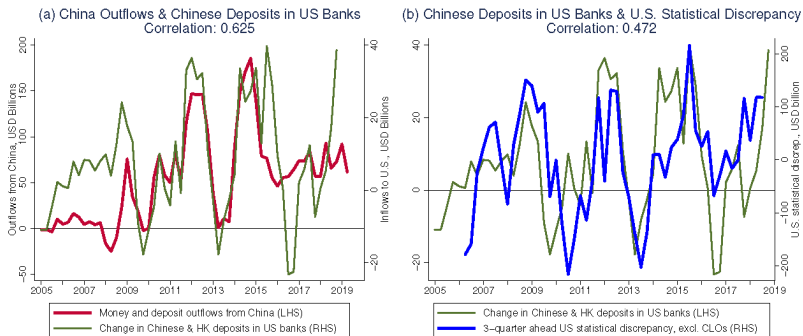
- ▶ Lack of good data

My summary

- ▶ Important step to understand U.S. statistical discrepancy
- ▶ Not convinced about micro results on housing prices
 - ▶ Identification is a problem

Comment #1a: Great results

Figure 2: Outflows from China and U.S. inflows



Source: Haver, TIC System, and authors' calculations. Series are 4-quarter sums.

Comment #1b:

- ▶ More work on why the U.S. statistical discrepancy matters
- ▶ Can you explain housing prices?
financial variables?
 - ▶ SVAR analysis

Comment #1c:

- ▶ More work on explaining the statistical discrepancy
 - ▶ What is key to improve R-squared?

Comment #1d:

- ▶ If the discrepancy proxies for purchases, can we separate direct vs indirect channels?
- ▶ Measured FDI also affects prices
 - ▶ High tech firms receiving with Chinese FDI create high pay jobs, indirect effect on prices

Comment #1e:

- ▶ How do we know it is residential investment and not commercial?
- ▶ Public Citizen database reports large Chinese investments in electronics and energy for example

Comment #1f:

- ▶ More work on Chinese deposit outflows landing on U.S. banks
 - ▶ Implications for financial stability?
For exchange rates?

Comment #2a: Identification problems

- ▶ Omitted variables, reverse causality
- ▶ Lack of parallel trends
- ▶ The decision to list a property in Juwai is endogenous

Comment #2b: Not convincing parallel lines



Comment #2c: Identification solutions

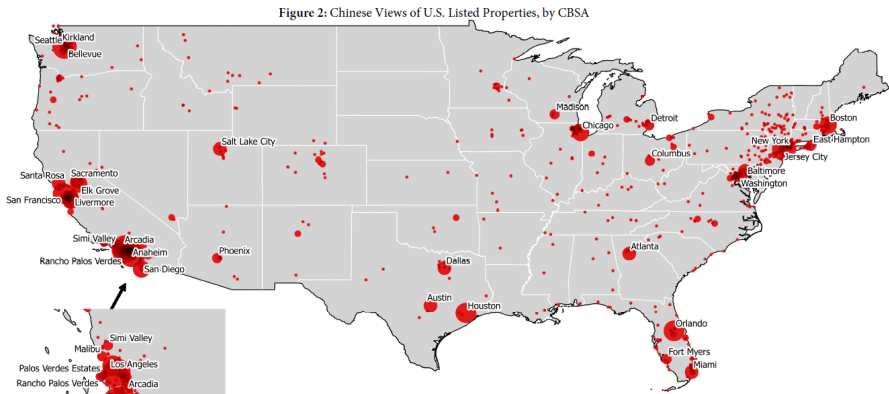
- ▶ Need exogenous variation in what cities the Chinese buy properties
- ▶ E.g. regulatory change, or change in college admissions towards Chinese

Comment #3a: Identification alternative

- ▶ Focus on explaining where do the Chinese search for real estate
 - ▶ The geography of non-housing FDI vs housing FDI

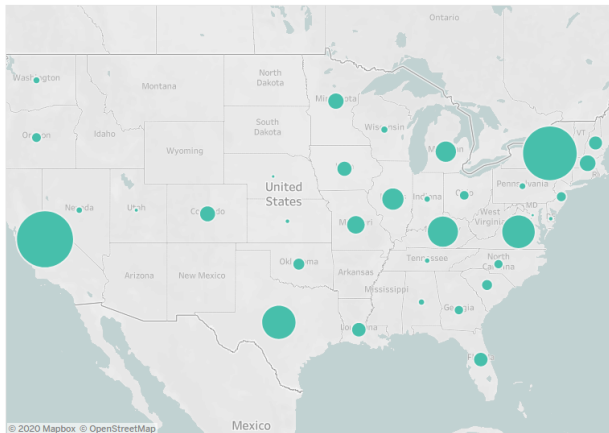
Barcelona, Converse and Wong (2019)

Figure 3: Web Traffic Hits from China of U.S. Listed Properties, by CBSA



From Public citizens

Large-Scale Chinese Investment Now Located in 40 U.S. States and Territories



SOURCE: Public Citizen's Chinese Corporate Investment Database

Comment #3b: Identification alternative

- ▶ Explore deeds data
 - ▶ E.g. Corelogic or ZTRAX
- ▶ Can we identify the Chinese buyers?

Conclusions

- ▶ Great topic
- ▶ Promising paper
- ▶ Keep working!