

# Immigrants and The Great Divergence

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Comments by Vasil Yassenov

## Summary:

In this promising paper, Padovani explores the relationship between nativity-biased sorting, wages and the elasticity of housing supplies. The main finding is that local labor demand shocks go a long way in explaining the observed skill- and nativity-biased sorting when foreign-born are more mobile than natives. The paper is framed within the broad literature studying geographic income divergence in the United States. Previous research in the field has shown that high skill workers sort in high wage cities, with housing supply constraints playing an important role in this phenomenon. Moreover, we also know that migration is an important factor in equilibrating spatial wage disparities. Padovani links these two strands of research.

The author begins the analysis with eloquently establishing several stylized facts about migration to cities with different housing supply elasticities. They clearly convince the reader that cities with higher housing constraints are richer, have more foreign-born and high-skill workers, these groups grow faster and the migration to them is foreign-born biased. Motivated by these data patterns, Padovani then moves on to build a spatial general equilibrium model, generalizing the seminal paper by Moretti (2013). In so doing he separates the economic agents into natives and immigrants. His theoretical model predicts that labor demand shocks cause the wages of natives (immigrants, housing costs) and the immigrant-native ratio grow more slowly (faster) in cities with non-restricted housing supply. The author then presents empirically-based research which backs up the prediction of the developed model to further convince us that labor demand shocks do explain the observed sorting patterns.

## Main Points:

- You use two indexes of housing supply elasticities, the WRLURI and the LUI. How much of the cities above and below the median of both indexes overlap? Give us some examples of cities with very high/low supply elasticities as defined by both measures. A table with this information will be helpful. Since one of them captures geographic and the other one administrative constraints, is the average of the two measure a better choice?
- The previous comment was partially motivated by the fact that the results in Figures 1-3 seem sensitive to the choice of index. I suggest you dig a bit deeper to understand why this is the case. Maybe splitting the median is too "coarse". You can try to look at the top and bottom quartiles and ignore the middle part of the sample. Also, I don't have a sense of statistical significance of the regression coefficients.

- Are the regressions you present in the tables and figures weighted? If not, you may consider doing that.

Smaller points:

- Something to consider when submitting the paper for publication: the introduction section is concise, to the point but it feels like literature review a bit more than it should.
- What would you expect the results for this study to be for other countries such as the ones in Western Europe? The labor markets labor have different features (e.g., labor mobility) and institutions and perhaps there are stronger geographical restrictions on the cities.
- Do your findings have any policy implications regarding, say, allocating foreign-born individuals which may be relevant for refugee programs? A short answer to this could be included in the conclusion.
- Instead of in footnotes you can place the estimated coefficients and standard errors for Figures 9 and 10 inside the figures.
- When thinking beyond this paper: I understand that the housing supply elasticities are functions of geographic constraints and local regulations but could they be partially endogenous? In specific, migration may effect the latter. Look at how immigration affects housing supply (elasticities), at least for “marginal cities” although that is a different but related research question.