

Discussion of

**"Stimulating Durable Purchases: Theory and Evidence"**

by Berger, Cui, Turner and Zwick

**"Did Pandemic Tax Benefits Boost Car Sales and Prices?"**

by Berger, Gee, Turner and Zwick

Sebastian Dyrda | University of Toronto

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# “Stimulating Durable ...”: A “Micro to Macro and Back” Approach

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## **The Issue:**

- Empirical evidence shows car scrappage programs lead to rapid spending reversals, while temporary housing credits yield more enduring impacts.
- Hard to reconcile within a frictionless neoclassical framework: intertemporal substitution implies full reversal.

## **The Solution:**

- Enhance the model with key frictions: adjustment costs, borrowing constraints, down payment requirements, and a wedge between renting and owning.

## **Key Findings:**

- Policy impact depends critically on how it relaxes binding financial constraints.
- FTHC targets young, low-wealth households, accelerating their homebuying from the distant future, unlike car trade-in decisions.

# My Take on the Paper

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## 1. **No Aggregate Shocks**

- Stimulus packages are typically used during recessions.
- Fiscal multipliers are state-dependent and asymmetric.
- **Question:** Would the main results hold in a model with aggregate shocks (e.g., financial crises, monetary policy shifts, demand disturbances)?

## 2. **Simplified** Mortgage Modeling

- Omits amortization, monthly payments, interest rate dynamics, and refinancing.
- Ignores how refinancing options and interest rate trends affect FTHC's persistence (e.g., impact of low-to-high rate switches).
- Mortgage qualification barriers (creditworthiness, employment stability) aren't modeled, limiting insights into households' response to down payment assistance.
- Likely **underestimates** homeownership's financial burden and risk, especially for low-income, liquidity-constrained households.

# My Take on the Paper (2)

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## 3. **Substitutability** Between Rental and Owner-Occupied Housing

- Assumes demand for homeownership can be met by converting rentals to owner-occupied units, avoiding new construction.
- In practice, conversions face financial, legal, and zoning barriers.
- The assumption makes housing supply more elastic, potentially **overstating** FTHC's long-term effects and understating price impacts.

## 4. **Provocative Question:** Desirability of FTHC?

- Would a constrained planner, facing incomplete markets and limited commitment, favor an FTHC-like policy?
- FTHC pushes households into illiquid assets, potentially worsening liquidity constraints (price effects, LTV limits).
- Is FTHC an **imperfect tool** for overcoming liquidity constraints?

# “Did Pandemic...”: Complementary and Timely Analysis

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**Research Question:** Did pandemic-era stimulus payments and the Advanced Child Tax Credit (CTC) boost auto sales and contribute to inflation?

## **Research Design:**

- Leverage quasi-random variation in stimulus exposure to isolate the impact of fiscal transfers on auto sales and prices.
- Use an equilibrium model to separate demand-driven price effects from supply constraints.

## **Key Findings:**

- Fiscal transfers increased auto sales by 4% of the aggregate (2020–2023).
- Estimated 3-year MPX on autos: 0.1–0.2; MPC: 0.3–0.4.
- Stimulus explained less than 20% of used car price growth.

# My (macroeconomic) Take on the Paper

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## 1. **Supply Constraints:**

- Time-varying controls for general economic conditions included (e.g., COVID cases, mobility data).
- Does not account for auto-specific factors like inventory levels, production slowdowns, or transportation bottlenecks.
- Critical during the pandemic and may **confound** the estimated stimulus effects.

## 2. **Inter-regional Spillover Effects:**

- Stimulus-driven demand in one ZIP code likely affects prices and supply in neighboring areas.
- These **spillover effects are absent** from the specification, potentially biasing results in connected markets.

## 3. **Supply Side and Market Structure in the Model:**

- Modest effects of stimulus on prices.
- Careful modeling of supply side is key: collapse in supply chains during the pandemic.
- **Endogenous response of markups** among car dealers?