

HABILITATION THESIS REVIEWER'S REPORT

Masaryk University	Faculty of Economics and Administration
Faculty	Economics
Procedure field	Ing. Ondřej Krčál, Ph.D.
Applicant	Department of Economics, Faculty of Economics and Administration, Masaryk University, Brno
Applicant's home unit, institution	The impact of improved housing on economic decision-making, well-being and perceptions: Evidence from a randomized-controlled trial
Habilitation thesis	Jaromír Kovářik, M.Sc., Ph.D.
Reviewer	Economics Department, University of the Basque Country, Bilbao, Spain
Reviewer's home unit, institution	

I would like to make clear from the outset that I believe that the habilitation thesis of Ing. Ondřej Krčál, Ph.D. conforms with international standards regarding the position, for which Ondřej applies. I have no doubt that the different parts of the thesis presents a high-quality research that will be published in prestigious high-impact international journals. According to my opinion, the quality of the thesis reflects that Ondřej is a mature and competitive researcher in his field. In fact, this thesis employs a methodology that goes well beyond the standards of research in the Czech Republic and the research topic is highly relevant, actively studied by top researchers, and generates important policy implications.

The thesis presents results from a novel RCT that randomly allocates housing to a group of people and compares their behavioural, psychological, and cognitive characteristics elicited in a series of experiments to people from a control group, who are comparable to the treated individuals but who did not receive such housing opportunity. The RCT is very original in two aspects. First, it provides better housing without affecting the financial conditions of the people, providing a unique opportunity to test the pure *ceteris paribus* effect of housing. This feature is novel: most studies typically confound the effect of multiple economic features—for instance by comparing the poor and the rich that differ in more than housing conditions—or compare the same individuals before and after shock—generating certain endogeneity issues. In contrast, the RCT presented in the thesis enables to test the pure effect of housing, without any confounds such as better financial situations. Second, the intervention is very powerful: people receive high-quality housing. Such intervention is not a common opportunity in research and the power of the intervention makes one confident that the documented effects have a strong external validity.

The connecting theme of the different parts of the thesis are poverty and poverty traps (someone less so in case of Chapter 5; see below), a topic of high social relevance and an area of active research. The thesis is divided into three main parts, Chapters 3 – 5, each providing a coherent account of one particular topic and presenting experimental data that contribute to clarify one open question in the corresponding literature.

Chapter 3 analyzes whether better housing conditions affect one's preferences and cognitive abilities. Chapter 3 complements the literature on preferences and cognition, which—as far as I can tell—typically tests the effects of different economic shocks without testing the impact of housing. In fact, I believe that the chapter somehow “undersells” its contribution vis-à-vis other studies and could be more ambitious. The chapter provides an important and complementary

contribution by showing that better housing does not seem to change one's preferences and does not improve her cognitive abilities. This leads to several important implications, such as showing that better housing does not on its own seem to benefit people through improving their preferences and cognitive performance. As a result, housing policies should probably be accompanied with other measures.

Chapter 4 provides is probably the most relevant because it directly studies a question of utmost importance for the reintegration of people with homeless history in the society and for understanding the problems reintegrated people with homeless history might face. Are people with homeless history perceived as less trustworthy and less able to concentrate? In addition, the experimental design enables to separate the effects of a history of inadequate housing vs. inadequate housing conditions. The experimental design of Chapter 4 is remarkably innovative in three aspects. First, it simultaneously exploits the random variation in the housing conditions of comparable groups. Second, it combines people with homeless history with people without such history. Third, it exploits nicely the fact that people cannot tell whether those who were provided with housing have homeless history or not. The combination of these aspects enables to (i) provide causal claims regarding the question of how the society perceives people with homeless history and (ii) discriminate between the above-mentioned underlying mechanisms. The data reveal that people perceive people differently depending on both their housing conditions and on whether they know that others have homeless history. These findings have important implications for many facets of life of people who either have reintegrated or are reintegrating themselves into the society after suffering homelessness. Future housing and poverty-targeting policies and public and private reintegration attempts should take the findings of Chapter 4 into account.

Chapter 5 is less policy oriented and rather targets ethical issues while experimenting with humans by asking whether non-treated people in experiments—those who should not be affected by the experiment—are in fact negatively affected. In particular, Chapter 5 analyzes whether the life satisfaction, the preferences, and emotions of the untreated people change as a result of not being granted housing. Once again, the experiment is well suited to target causality through randomizing the participation and, this time, by interviewing subjects three times both before and after they learn their treatment condition. Since those untreated are aware that they were not selected for housing, they may suffer from certain behavioural or emotional unease. The targeted questions are highly relevant for the literature on RCTs and experimenting, in general, because the evidence regarding this issue is inconclusive (as is well described in the chapter): some studies find negative impacts under some conditions while others positive ones in other experiments. Hence, more evidence is needed to clarify whether and under which conditions the ethical issues raised in Chapter 5 arise. Chapter 5 is the first piece of evidence analysing this issue in a housing experiment. Hence, this chapter complements the existing evidence and will find room in a good journal. The data show that, although untreated people exhibit lower life satisfaction as opposed to the treated population *ex post*, their preferences and life satisfaction are not affected by not being treated. I would probably like to mention that, in comparison with Chapters 3 and 4, Chapter 5 still requires further writing and more polishing before it is submitted to a journal.

The particularly strong point of the presented research is a very careful and innovative experimental design. The RCT provides a strong condition manipulation. By strong, I mean that it is not likely in research that the experimenter can manipulate the housing conditions of experimental subjects, by granting them with high-quality housing. A concern of most experiments is external validity, but the above feature makes me confident that the lack of external validity will not be an issue in case of the researcher presented in this theses. This makes the individual chapters of the thesis very promising in terms of impact and publication potential. In addition, the author nicely complements an RCT with lab-in-the-field experiments and survey/questionnaire data on the one hand and combines behavioural data elicited from

both subjects of the RCT and subjects external to the RCT on the other hand. This complex but well executed design generated a very original and rich data set. The thesis explores the data set very well.

As for the weak points, one drawback is the sample size, as recognized by the author. Nevertheless, although the number of 50 treated individuals is low from the statistical perspective, I find this figure rather high if I take into account that the treatment is to “provide high-quality housing”. This is extremely costly and a very rare opportunity in economic research. Hence, one might consider this number reasonable in such context; I am convinced that other scholars would agree with my opinion. Moreover, the low number of observations actually reinforces the results of Chapter 4, which I find the most promising. Naturally, this issue goes against the author in case of the null results in Chapters 3 and 5. Another weak point is that, according to my opinion, the author to some extent undersells his contributions in some parts. An example is Chapter 3, where the author compares his results to a literature, which is different in two important aspects: the nature of the “shock” and how the shocks are induced. Hence, Chapter 3 enriches the literature more than admitted by the author. This issue can be easily fixed though. Last, Chapter 5 still requires further writing and rewriting before circulating it.

All in all, the work provides a series of important results documenting the effects and limitations of housing policies, free of the typical confounders such as overall improved economic situation of the participants. This is an important piece of evidence while informing housing and reintegration policies about their limitations. The work is very well executed concerning the experimental design, how the experiments were run, and the data analysis. All aspects are very well explained and easy to follow. Such a project definitely conforms to standards expected from an Associate Professor (*Docent*).

Reviewer’s questions for the habilitation thesis defence (number of questions up to the reviewer)

1. Since the thesis provides a very interesting RCT and the intervention leads to a relatively large shock in the lives of the treated participants, my main question is whether the author can follow the participants beyond the presented experiments. The natural questions are how providing high-quality housing affects people in the long run (in terms of housing, labour, and other socio-economic aspects).
2. How do you interpret that in the Trust game the sent amount is not related to the treatment conditions while the expected returned amount is? The former measures how much you trust others in incentivized way what also reflects what one expects from others. How do you reconcile this apparent contradiction?
3. Given point 2, it would be nice to know the relationship between the sent amount and the expectations to be able to interpret point 2.

Conclusion

The habilitation thesis entitled “*The impact of improved housing on economic decision-making, well-being and perceptions: Evidence from a randomized-controlled trial*” by Ing. Ondřej Krčál, Ph.D. **fulfils** requirements expected of a habilitation thesis in the field of Economics.

Date: September 3, 2020

Signature:

