



IDEOLOGY, RELIGION, AND CHEAP HOUSING: ISRAELI SETTLEMENT OF THE WEST BANK

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Summary

- ▶ How religious belief and national-ideological worldview affect response to economic factors among Israeli West Bank settlers:
Non-ideological/ Ideological / Ultra-Orthodox settlement
- ▶ Economic opportunity (lower housing cost) is an important factor in location choice of household
- ▶ Households with religious belief in the West Bank are more sensitive to housing costs

Contribution



- ▶ Israel settlement of the West Bank is a crucial global issue!
- ▶ Impact of belief (e.g., religion) on the responsiveness to economic incentives, is important, yet understudied
- ▶ Limited studies investigate how different belief affects location choice (e.g., housing prices, transportation infrastructure..)

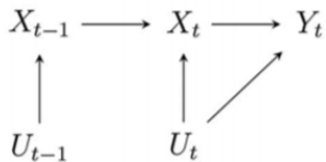
Comments (1): Specification Issue

$$\begin{aligned} \ln\left(\frac{Prob_{ijt}}{Prob_{iit}}\right) = & \theta + \alpha_1 C_{ijt} + \alpha_2 \ln\left(\frac{Z_{jt}}{Z_{it}}\right) + \alpha_3 PR_{ijt} + \vec{\alpha}_4 \ln T_{it} \\ & + \alpha_5 D_{sett,jt} + \alpha_6 D_{Ideosett,jt} + \alpha_7 D_{Ultrasett,jt} \\ & + \alpha_8 VoteNational_{it} + \alpha_9 VoteUltra_{it} \\ & + \vec{\alpha}_{10} PR_{ijt} * D_{Y,jt} + \vec{\alpha}_{11} PR_{ijt} * Vote_{X,it} \\ & + \vec{\alpha}_{12} D_{Y,jt} * Vote_{X,it} + \vec{\alpha}_{13} PR_{ijt} * D_{Y,jt} * Vote_{X,it} + \epsilon_{ijt} \end{aligned}$$

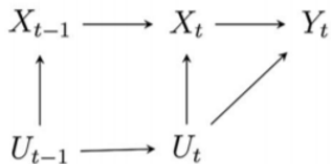
- ▶ Potential endogeneity
 - ▶ Omitted Variable Bias (e.g., positive construction shocks in j , which increase the overall influx of people to destination j , and decrease the housing prices in j)
 - ▶ Reverse Causality (e.g., as more people moving from i to j , changes PR_{ijt})
- ▶ Lagged variables: not enough to control for the time persistent unobservables

Potential Issues in Lagged Variable

A. Identification for lagged variable



B. Violation of Identification



Y: Prob(moving to j)
X: Relative price in j
U: construction shock

Figure 1: "Lagged Explanatory Variables and the Estimation of Causal Effect" (Bellemare et al., 2017)

Comments (2): Alternative Specification

$$\begin{aligned} \ln\left(\frac{Prob_{ijt}}{Prob_{iit}}\right) = & \theta + \alpha_1 C_{ijt} + \alpha_2 \ln\left(\frac{Z_{jt}}{Z_{it}}\right) + \alpha_3 PR_{ijt} + \vec{\alpha}_4 \ln T_{it} \\ & + \alpha_5 D_{sett,jt} + \alpha_6 D_{Ideosett,jt} + \alpha_7 D_{Ultrasett,jt} \\ & + \alpha_8 VoteNational_{it} + \alpha_9 VoteUltra_{it} \\ & + \alpha_{10} PR_{ijt} * D_{Y,jt} + \alpha_{11} PR_{ijt} * Vote_{X,it} \\ & + \alpha_{12} D_{Y,jt} * Vote_{X,it} + \alpha_{13} PR_{ijt} * D_{Y,jt} * Vote_{X,it} + \epsilon_{ijt} \end{aligned}$$

Suggestions Introduce fixed effects

- ▶ v_{jt} : destination-time specific fixed effects
- ▶ η_{it} : origin-time specific fixed effects
- ▶ λ_{ij} : origin-destination pair fixed effects (e.g, distance b/w i and j)

Pros Controls for any potential omitted variable bias at origin(destination)-level or origin-destination pair-level

Cons Cannot estimate the colored variables

Comments (3): Intuitions for Findings

- ▶ The results that national-religious and ultra-orthodox groups are more sensitive to prices are counter-intuitive
 - ▶ Is it because the religious groups have worse socioeconomic status?
 - ▶ I would include $PR_{ijt} * Income_{it}$ and check whether the differential impacts across different groups still exist

Comments (4): Settlement Location

- ▶ Selection in location choice of different types of settlement
 - ▶ "As shown in Figure 2A, many of the large non-ideological settlements were located close to the Green Line, whereas a large number of ideological settlements were established in the highlands of the West Bank in proximity to densely populated Palestinian areas."
- ▶ Potential identification threat:
 - ▶ e.g., Ideological settlements were located in cheaper part of the West Bank for some reason, and if the ideological groups move to the West Bank for religious reasons?
- ▶ Destination-level fixed effects could control for this issue; religious importance, distance to Jerusalem, stock of (each group of) people living in j (to control for the homophily)

Comment (5): Discrepancies between aggregate and micro-level

Table 6: Results Obtained from the Estin Affordability Measure (*Afford*)

	(1) Without Interaction Terms	(2) With Simple Interaction Terms
<i>PriceRatio X Dum_Ideological</i>		4.39*** (0.92)
<i>PriceRatio X Dum_Ultra-Orthodox</i>		4.69*** (1.44)
<i>PriceRatio X Vote_National</i>		0.27 (4.48)
<i>PriceRatio X Vote_Ultra-Orthodox</i>		-37.04*** (1.52)

X: Relative price in j

Y: Prob(moving I to settlement)

<i>h(t)</i> equals 1 for moving to:	(1) All settlement
<i>Price</i>	.92*** (.08)
<i>Vote_National</i>	2.80*** (.17)
<i>Vote_Ultra-Orthodox</i>	.85*** (.13)
<i>Price X Votes_National</i>	.75*** (.28)
<i>Price X Vote_Ultra-Orthodox</i>	-.22* (.12)

X: Price in i

Y: Prob(moving to settlement)

Figure 2: Aggregate (Left) vs. Micro (Right)

Comment (5): Discrepancies between aggregate and micro-level

Figure 7: Projected Population Moves to Settlements in the West Bank when dividing the Price Ratio Between j and i by 1.1 for Settlements for which $PriceRatio < 0$, by Settlement Type, 2000-2014

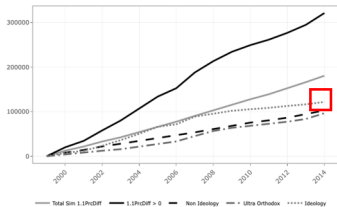
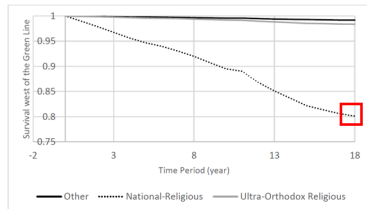


Figure 13: All Movers' Survival Probability West of the Green Line by Population Type, 2000-2015



Notes: Figure 13 presents results of simulation of the hazard model by household belief: for national-religious substituting $Vote_National = 1$ and $Vote_Ultra-Orthodox = 0$ for all sample observations); ultra-orthodox replacing $Vote_National = 0$ and $Vote_Ultra-Orthodox = 1$ for all sample observations); and non-ideological $Vote_National = 0$ and $Vote_Ultra-Orthodox = 0$ for all sample observations).

Figure 3: Aggregate (Left) vs. Micro (Right)

Question: Transaction Data

- ▶ $PriceRatio_{jit}$: the log of the ratio between average quality-adjusted house prices in destination j and origin i at time t
- ▶ How are the settlement area transaction data collected? How is the housing market working in the West Bank?
- ▶ Not governed by Israeli government?

A festive dinner table setting featuring two bottles of wine, one labeled 'VILLAHE', two large bouquets of white hydrangeas in glass vases, and a centerpiece with a lit candle in a glass jar filled with pine nuts. The table is decorated with a white lace tablecloth, a pinecone, and various dishes including a bowl of strawberries and a small container of dip. The background is softly blurred, showing a wine bottle and a bowl of food.

Thank you very much.
Dinner Time!