Comments on the Paper:

Personal Experiences in the Labor Market and Household Credit Behavior.

By Leonardo Morales

Summary

- **Question:** In this paper authors aim to answer the question if the fact that individuals who got fired in the 2008 recession have an impact on credit demand in the extensive and intensive margins.

- **Methods:** OLS regressions with first difference as dependent variables and propensity score matching estimators

- **Results**: Extensive margin [1,3 pp-2.4 p.p.] Intensive margin [0,26*W-0,25*W]

Comments

- **Is firing an exogenous shock?** Authors claim that it is b/c two reasons. First, data allows them to identify workers fired at the discretion of the employer. The firing was on the middle of a crisis.

  – Employers might have performed firing using the observation of factors which are unobserved to the econometrician and that are correlated with structural equations. Paper has to argue better why fires are random.

  – For this the propensity score matching might not help much if indeed there are selection unobserved factors in the unemployment category

Comments

- **Why not a traditional Diff in Diff specification?** Specification of the OLS models are the following $\Delta\mathbb{P}[C_i] = \alpha Fired_i + \beta\Phi_i + \Psi + \varepsilon_i,$

- Because individuals can have a credit or not so there are just four possible scenarios:

	Credit in 2007	No Credit in 2007
Credit in 2010	1-1=0	1-0=1
No Credit in 2010	0-1=-1	0-0=0

- Is this a multinomial model? Using a traditional Diff in Diff equation, interpretations could be more appealling to the reader and they could test for parallel trends.

$$1\{credit_{it}\} = \alpha + \delta post_t + \gamma fired_i + \pi post_t * fired_i + x_{it}\beta + \varepsilon_{it}$$

Comments

- **Is this a Average Treatment Effect for which Population?**

- Informal are excluded from the analysis could they be an important to the analysis, can we know more about them? Can we guess at the effect on this population would be?

- Other thing is that individuals who quit are not included in the sample so the average effect is not applicable to all formal.

Thank you