Discussion of:

High-technology IPOs and Neighborhood Inequality

by

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The paper in a nutshell

- **Research question**: How an *Initial Public Offering* (IPOs) of a high-technology firm affects labor and housing markets within the neighborhood where the firm's headquarter is located?

- **Methodology**: reduce form analysis + model estimation
  * Estimate (dynamic) *treatment effects* on wages and employment of skilled vs. unskilled workers as well as on house prices and rents
    - Identification relies on withdrawn IPO issuers
    - Static and dynamic dff-in-diff approach
  * Estimate a spatial model with heterogenous workers to quantify the joint impact of IPOs on their utilities.

- **Main finding**: IPOs lead to an *increase in inequality* within the neighborhood due to:
  * Higher increase of high skilled wages $\rightarrow$ knowledge spillover
  * A displacement effect on low-skilled workers $\rightarrow$ higher costs of living

Comment 1: renters vs. homeowners

- Heterogeneity only when looking at employment outcomes (high vs. low skilled workers)
- What about the costs? Rising costs of living also affect different groups in a distinct way
  * *renters*: pay higher rental prices
  * *homeowners*: see how their homes revaluate
  * both groups may leave their current neighborhood. However, renters are forced to (cannot afford rent) while homeowners have an opportunity (sell or rent their current house)
- In the model . . .
  * workers face the same local market = only looking at commuting costs
  * are we missing housing and rental markets?
  * important dimension if you want to talk about housing affordability
- In the data . . .
  * already look at the effect on house prices and rents

Comment 2: what's the mechanism?

- In the paper IPOs are taken as exogenous events. Great for the data, but in the model we need to understand the mechanism . . .
- The role of **intangible capital** for *firm's financing*
  * high-tech firms use a higher share of intangibles in production
  * they have less pledgeable assets $\rightarrow$ finance themselves with equity
- How these firms pay their workers?
  * equity-based compensation for high skilled $\rightarrow$ *"human capitalists"* (Eisfelt et al., 2022)
  * sell out and build their own startups $\rightarrow$ boost employment and wages of high skilled
  * low skilled wages and employment should also rise because of extreme-skill complementarities (Eeckhout et al., 2014)

Well done!

- Interesting and novel research question with policy implications
- **Impressive data work!**
- The model backs up the empirical findings, but doesn't allows us to go beyond
- Still some open questions:
    * why IPOs of high tech firms are different from that of other firms?
    * why is there an increase in worker's wages?
        - knowledge spillovers are also there before going public . . .
        - are there other channels besides the increase in equity based compensation?
    * how does the rising cost of living affect renters and homeowners in that neighborhood?