

## HABILITATION THESIS REVIEWER'S REPORT

<b>Masaryk University</b>	Faculty of Economics and Administration
<b>Faculty</b>	Economics
<b>Procedure field</b>	Ing. Ondřej Krčál, Ph.D.
<b>Applicant</b>	Department of Economics, Faculty of Economics and Administration, Masaryk University, Brno
<b>Applicant's home unit, institution</b>	The impact of improved housing on economic decision-making, well-being and perceptions: Evidence from a randomized-controlled trial
<b>Habilitation thesis</b>	Prof. Maroš Servátka, Ph.D.
<b>Reviewer</b>	MGSME Vernon L. Smith Experimental Economics Laboratory
<b>Reviewer's home unit, institution</b>	Macquarie Business School, Sydney, Australia

I have read over Ondřej Krčál's habilitation thesis ("The impact of improved housing on economic decision-making, well-being and perceptions: Evidence from a randomized controlled trial") and confirm that it fully satisfies the criteria for awarding a Docent title.

The habilitation presents original analyses of the described economic issues and makes an interesting contribution in the fields of development economics and behavioral economics. The candidate has displayed creative abilities in his area of research and the thesis significantly extends our understanding of the mechanisms around poverty and the poverty trap. The thesis also demonstrates adequate knowledge of the literature and the appropriate use of the experimental methodology, applied in a field and laboratory settings. The thesis is well-written and the studies are nice motivated. The habilitation meets internationally recognized standards for the conduct and presentation of research in the field of economics. I find it to be *a set of useful studies with strong policy implications.*

The habilitation consists of three studies making use of a housing project randomized control trial in Brno in which families randomly selected in a lottery were provided with improved housing conditions. The lottery was stratified with respect to the number of children. Out of 421 eligible families, 50 were awarded a long-term lease of a municipal apartment and a social services package. Another 100 families were selected as a control. This is not a huge sample, but the presented power analysis demonstrates that the project provides enough power to detect medium size effects. To shed light on whether poverty is perpetuated by low living standards and the effect they have on decision-making, the first study elicits risk and time preferences and sustained attention and finds that improved housing does not affect any of them.

The second study tests whether people living in poor housing conditions are perceived as less trustworthy and less concentrated, both of which might adversely affect their job prospects because of potential discrimination. The experimental design disentangles the effect of housing conditions from housing history. The trustworthiness and the ability to concentrate in the experiment is evaluated by university students in the local laboratory, a clever way of addressing the research question. The low quality housing is found to have a negative effect

on the perceived trustworthiness and no effect on the ability to concentrate. Interestingly, good quality housing leads to the perception of lower ability to concentrate but a similar perception of trustworthiness.

The random allocation of better housing is parallel to cash-transfer interventions which by design leave the untreated group worse-off compared to the treated group. In some instances, this could lead to lower satisfaction and possibly other negative psychological effects. The third study therefore evaluates whether this is also the case in the housing RCT. While those who have been allocated better housing report an increase in their life satisfaction and psychological well-being, the untreated do not report a decrease in either satisfaction or well-being. Similarly, there is no difference in generosity between treated and untreated.

I thoroughly enjoyed reading the habilitation thesis and find the reported studies to have a good potential to be published in prestigious peer-reviewed economics journals. I recommend that Ondřej Krčál be awarded the degree of Docent in Economics and wish him good luck in publishing his research.

Please let me know if you have any questions or if you require further information.

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

- When submitting the first paper to journals, it will be useful to highlight that Research Question (RQ) 1 is about an improvement in housing conditions rather than the shock itself as focusing on the shock might distract some referees from what is actually being varied.
- Regarding the results on low quality housing having a negative effect on the expected trustworthiness but no impact on expected concentration, while higher quality housing resulting in lower expected concentration but similar trustworthiness, I was wondering what ex post insights the author has about the mechanism that could be driving this observation. Or could the result be due to chance?
- Regarding RQ3, it seems to me that another important aspect of the problem is whether the RCT intervention introduces an omission or commission, which could drive the behavioral response of the treated and untreated. This could provide additional insights into the conduct of RCTs.
- I have a minor comment about something the author did not say explicitly, but perhaps implied when stating that RCTs are a gold standard in natural sciences. (If he didn't, I apologize, but my comment is still relevant on a general level). It is a pet peeve of mine when I hear that RCTs are a gold standard also in economics. Whether one employs an RCT, a laboratory experiment, a survey or just analyzes happenstance data depends on the nature of the research question at hand and thus a statement about RCTs being a gold standard is presumptuous. Having said that, let me emphasize that the author has chosen appropriate methods to answer his research questions.

- Also regarding study 3, I would recommend the author to explicitly discuss the contribution and novelty of his study to the debate around the impact of RCTs on the untreated in situations when it is impossible to conceal the fact on not being selected for treatment. What is special about the housing project with respect to e.g. cash-transfers that is not being picked up by the previous studies? A narrative that includes such discussion might make a difference between publishing the paper in a very good journal and an excellent one as it will generate additional insights as opposed to pitching the current paper as “just” a replication or a robustness check (both of which unfortunately seem to be less valued by journals).

### **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 Ondřej Krčál **fulfils** requirements expected of a habilitation thesis in the field of Economics.

Date: September 4, 2020

Signature:

