

Discussion of “Location, search costs and youth unemployment: A randomized trial of transport subsidies in Ethiopia”

Bryce Millett Steinberg¹

¹Harvard University

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- Question: What is the impact of travel cost on job search and unemployment?
- Context: Addis Ababa, Ethiopia
- Randomly lowering transport costs:
 - Increases job search intensity
 - Increases probability of finding permanent work
 - Decreases probability of temporary/informal work
- Organizes results in a model of dynamic search

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- Well-identified
- Theory-driven
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- Well-identified
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- Theory-driven
 - Embedded in a search model with liquidity constraints
- Economically Important
 - Search costs are extremely important in labor economics
 - Unemployment high in developing world cities

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 - Other potential market failures?
 - Information
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 - Information
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 - Other explanations?
 - Search has negative expected value?
 - High Discount rates?

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- Are subsidies welfare-improving (above cost) for recipients?
 - Magnitudes of income gained vs. travel costs paid?
 - Over what time horizon?
- Are subsidies welfare-improving *in general*?
 - Do subsidies create more/better quality matches overall?
 - Is increased employment for treated individuals coming at the expense of control?

Comments: General Equilibrium/Welfare

- No supply side in the model
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- Are firms under-matching?
- If so, why?
 - Liquidity constraints?
 - Information?
- What role could transportation subsidies play here?

Comments: Nesting in Models of Spatial Equilibrium

- Simple models suggest lower wage workers living farther from city center is efficient
- Here, there may be an implicit search tax on lower wage workers as well
- What are the tradeoffs of housing the poor closer to the city center in this model?