

# HOUSING BOOMS, MANUFACTURING DECLINE, AND LABOR MARKET OUTCOMES\*

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July 2017

## Abstract

We study the extent to which manufacturing decline and local housing booms contributed to changes in labor market outcomes during the 2000s, focusing primarily on the distributional consequences across geographical areas and demographic groups. Using a local labor markets design, we estimate that manufacturing decline significantly reduced employment between 2000 and 2006, while local housing booms increased employment by roughly the same magnitude. The effects of manufacturing decline persist through 2012, but we find no persistent employment effects of local housing booms, likely because housing booms were associated with subsequent busts of similar magnitude. These results suggest that housing booms “masked” negative employment growth that would have otherwise occurred earlier in the absence of the booms. This “masking” occurred both within and between cities and demographic groups. For example, manufacturing decline disproportionately affected older men without a college education, while the housing boom disproportionately affected younger men and women, as well as immigrants. Applying our local labor market estimates to the national labor market, we find that roughly 40 percent of the reduction in employment during the 2000s can be attributed to manufacturing decline and that these negative effects would have appeared in aggregate employment statistics earlier had it not been for the large, temporary increases in housing demand. (J21, E24, E32, R23)

\* This is a revised version of a previously distributed NBER working paper (NBER Working Paper No. 18949). We thank John Bound, Tom Davidoff, Matt Gentzkow, Ed Glaeser, Erzo Luttmer, Frederic Vermeulen (Editor), and four anonymous referees for their detailed feedback, and we thank Hank Farber and Tom Lemieux for their comments as discussants. Additionally, we thank seminar participants at Columbia, Duke, Harvard, Maryland, Northwestern, Princeton, Tulane, University of British Columbia, University of Chicago, University of Illinois at Chicago, the AEA, Einaudi Institute, the NBER Summer Institute (Macro Perspectives), and the Atlanta, Chicago, Cleveland, and New York Federal Reserves for helpful comments. We are grateful to Loren Fryxell, David Toniatti, and Dan Zangri for excellent research assistance. We gratefully acknowledge the Initiative on Global Markets at the University of Chicago Booth School of Business for financial support. Hurst thanks the Peter Wall Institute for Advanced Studies at the University of British Columbia and Notowidigdo thanks the Einaudi Institute for both their financial support and hospitality while working on this project.

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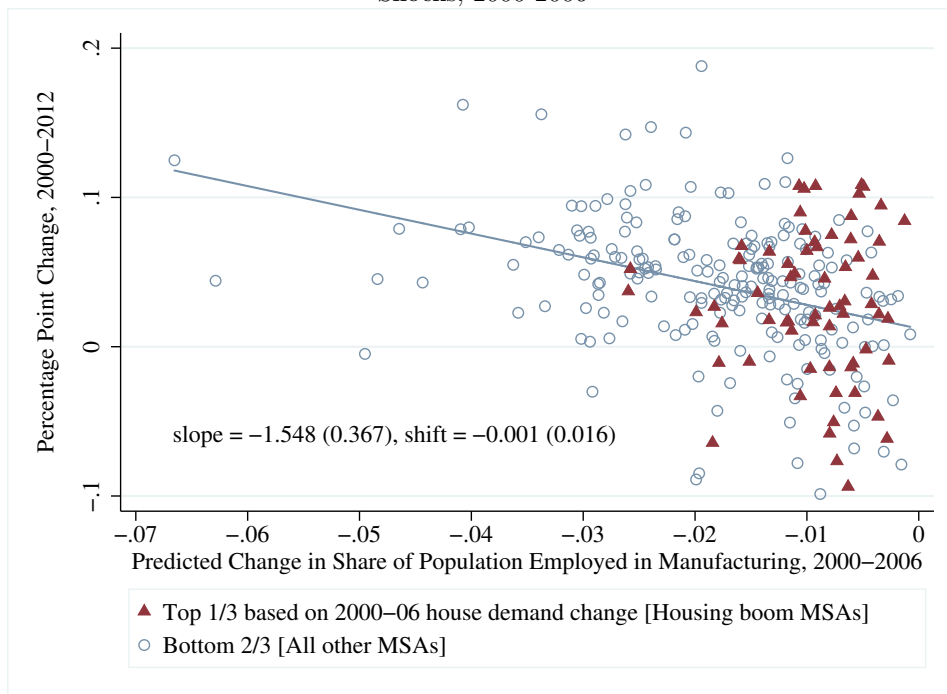








Figure 9: Manufacturing Decline and Non-Employment of Non-College Men Across MSAs with Different Housing Demand Shocks, 2000-2006



Notes: These figures report the correlation across cities between the predicted change in manufacturing employment and the change in the non-employment rate of non-college men (age 21-55) between 2000-2012 (i.e., this figure is sample as Figure 5 exception that non-employment rate change is extended beyond 2000-2006). The sample is divided based on the Housing Demand Change in the metropolitan area between 2000 and 2006. The bottom two-thirds of the metropolitan areas based on this residualized measure are shown in light-colored circles; the top one-third are shown in dark-colored triangles. The solid line represents the OLS regression line that is computed based on the bottom two-thirds sample. The slope of this line is reported along with the average difference between the regression line and the top one-third “housing boom MSA” sample.