

Discussion of Slattery and Zidar
“Evaluating State and Local Business Incentives”

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An Excellent Paper that Addresses and Reviews Evidence on Important Issue

Do local incentives destined to attract firms and jobs work well?

Salient in the policy debate after cases such as Amazon.

Costly policies, unclear positive effects.

Also unclear normatively.

Suggestions on the Analysis

Describe in more detail how the firm-specific deals are “cut.” (To understand whether there is any true comparison group here).

On event studies: do “deals” typically involve other things (a package) that directly affects employment or local activity?

E.g.: infrastructure investments?

Hard to see their welfare implications because very case by case and we don't know all that went into the deal.

Possible to get other outcomes at the local level like house prices? New construction?

Welfare Implications

What are we trying to maximize?

Local tax revenues? Local employment? Overall GDP? Why?

Thorny normative question of place-based policies if some areas are declining long-term.

Short run vs. long-run.

Beggar-thy-neighbor and coordination.

Even if big match-quality effects, presumably coordination can only make things better?

Same issue arises for people moving. E.g.: preferential tax regimes for foreigners. (Kleven, Landais, Munoz, and Stantcheva 2019).

Targeting vs. blunter instruments such as state-level tax policy.

State-level Tax Incentives: Personal and Corporate Taxes

Tax rates have changed a lot over time in different states

On the personal and corporate income tax side.

Have they affected the location of firms and individuals?

State Tax Rate Distributions over Time

State Tax Rate Distributions over Time

State Top Marginal Corporate Tax Rate: 1920 [▶ More](#)

State Top Marginal Corporate Tax Rate: 1920-1930

State Top Marginal Corporate Tax Rate: 1930-1940

State Top Marginal Corporate Tax Rate: 1940-1950

State Top Marginal Corporate Tax Rate: 1950-1960

State Top Marginal Corporate Tax Rate: 1960-1970

State Top Marginal Corporate Tax Rate: 1970-1980

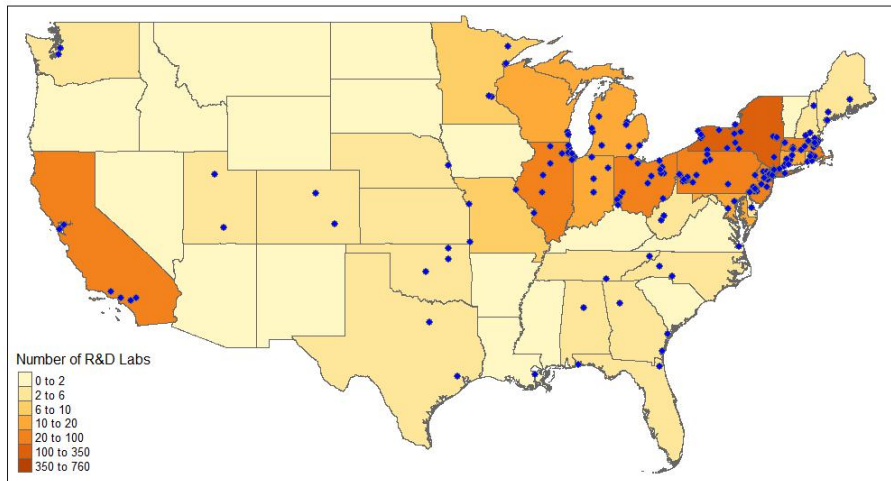
State Top Marginal Corporate Tax Rate: 1980-1990

State Top Marginal Corporate Tax Rate: 1990-2000

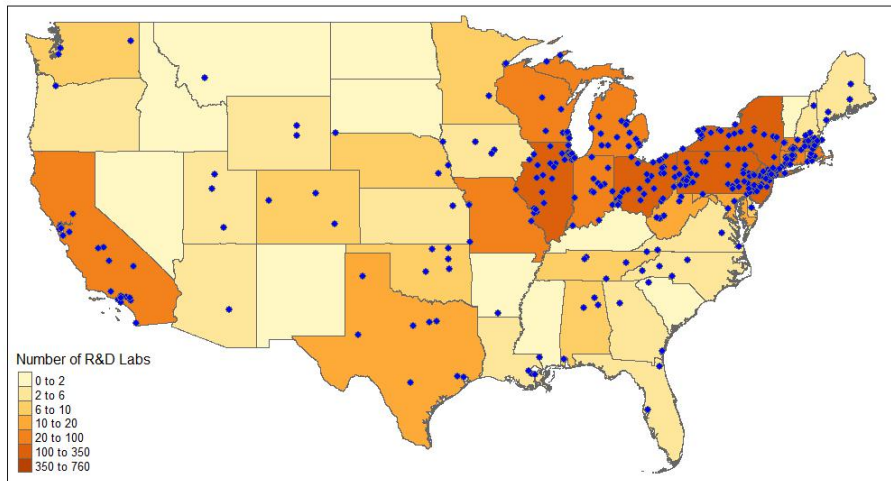
State Top Marginal Corporate Tax Rate: 2000-2010

State Top Marginal Corporate Tax Rate: 2010-2016 [▶ More](#)

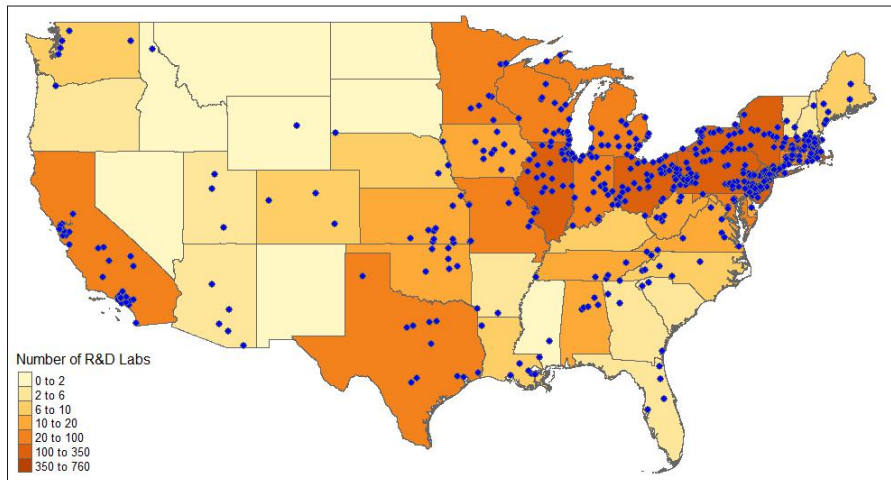
Location of R&D Labs - 1921



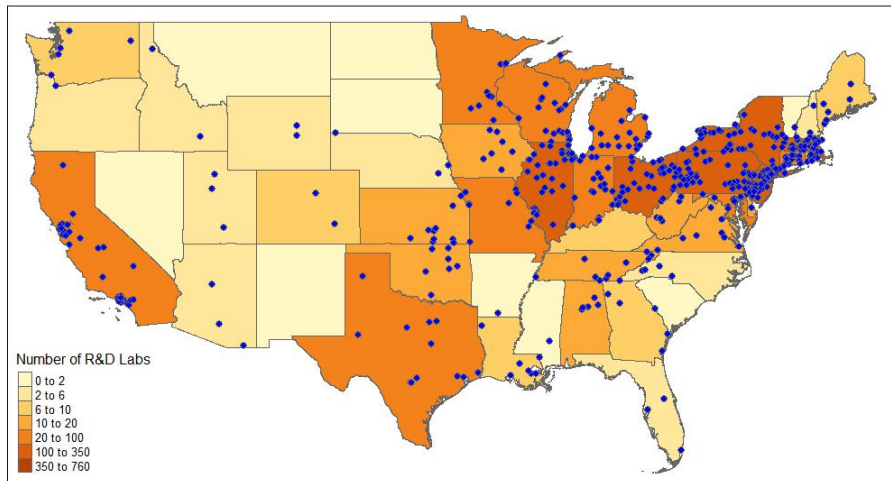
Location of R&D Labs - 1927



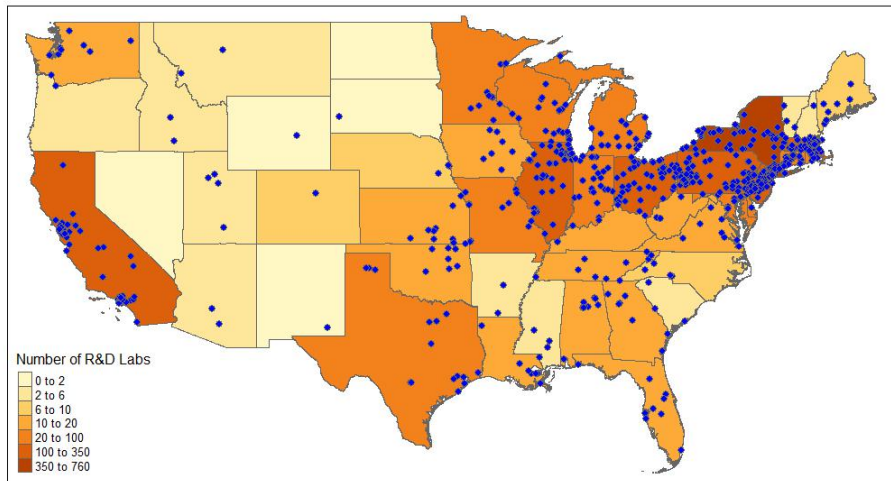
Location of R&D Labs - 1931



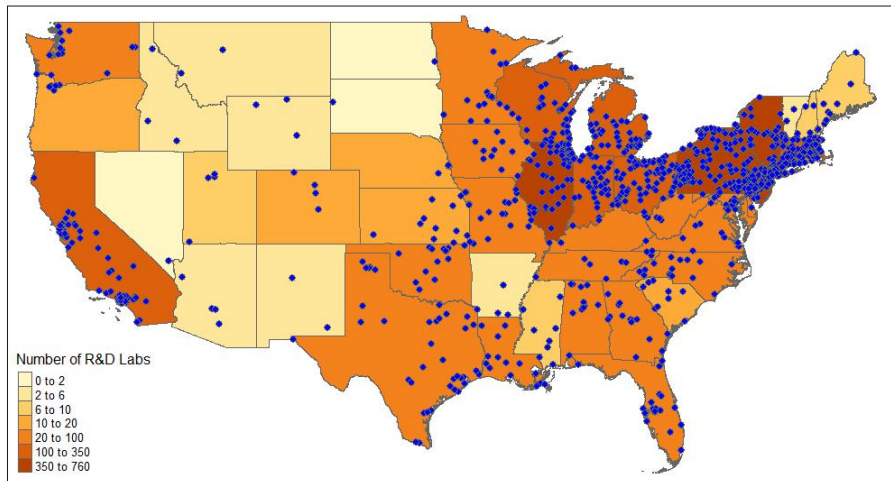
Location of R&D Labs - 1933



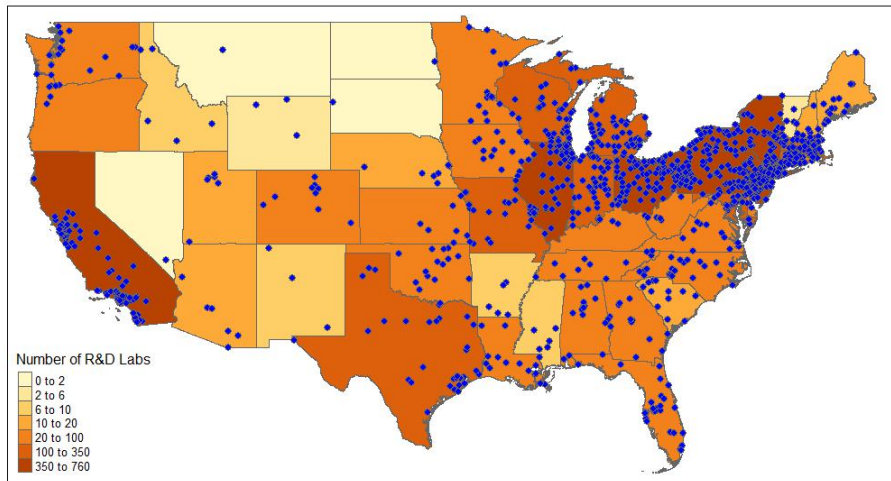
Location of R&D Labs - 1938



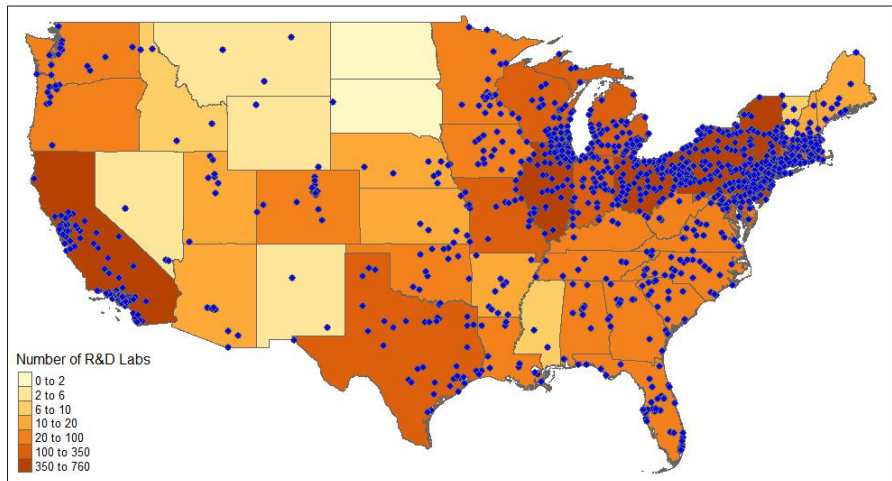
Location of R&D Labs - 1950



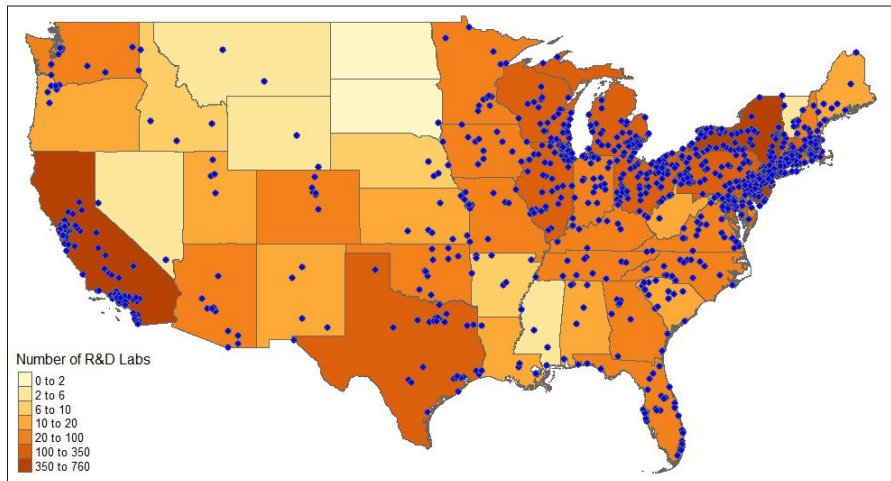
Location of R&D Labs - 1956



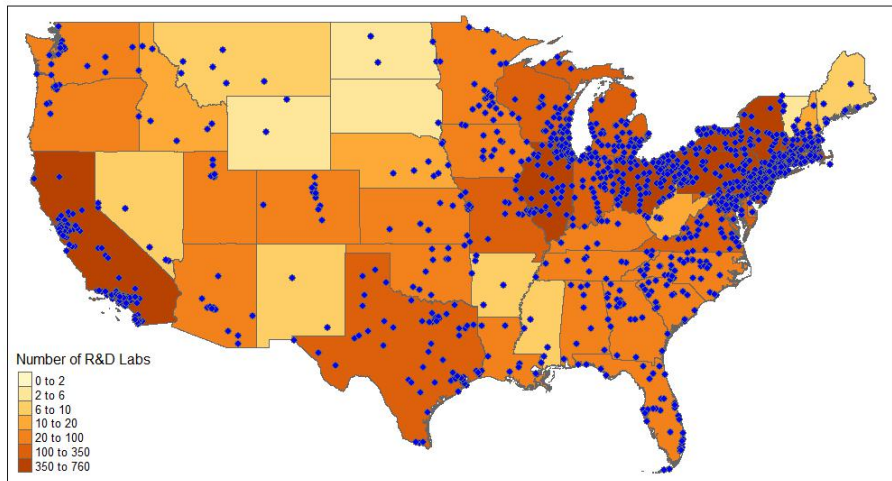
Location of R&D Labs - 1960



Location of R&D Labs - 1965



Location of R&D Labs - 1970



Zero-Sum Effects?

Firms and inventors tend to locate where tax rates are lower...

But conditional on many other things, such as “amenities”, captured reduced-form by “agglomeration” effects.

Micro-level elasticities on extensive and intensive margins are much smaller than macro-level ones.

Macro-level ones are affected by spillovers and cross-state business stealing.

But micro-level elasticities are significant still and hence there is some effect.