

Discussion of: The Fiscal and Economic Effects of the BioNTech Shock

UEA Europe 2025

What This Paper Contributes

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 - Local policy responds to economic and social conditions
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 - Policy changes are correlated within jurisdictions (Baker et al., 2024)

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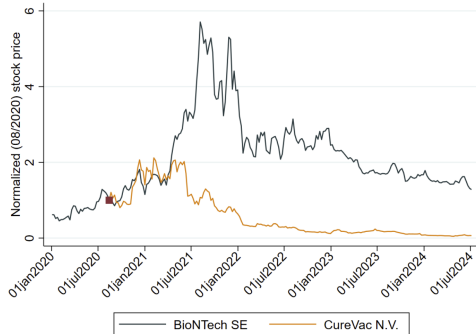
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This paper solves both of these problems!

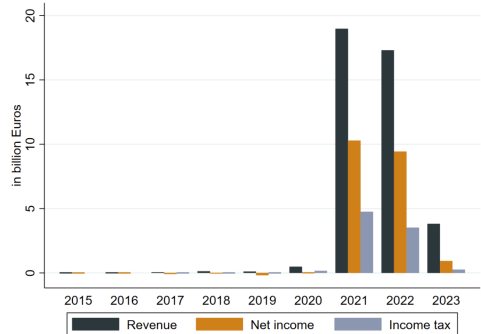
Incredibly Clean, Credibly Identified, Large Shock

Figure 1: The Biontech Shock and Distribution of Tax Revenue Growth

(a) Weekly Normalized Closing Stock Prices



(b) Biontech Key Financial Figures



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- Income vs. grant shock
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- Their answer: fiscal adjustment is delayed!

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This Paper:

- Income shock caused little change in public spending.
- Money is transferred to other municipalities, saved, used to lower liabilities.
- Immediate tax cuts. Fiscal adjustment can happen very fast!

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1. This is the (classic) flypaper result
 - Government spending response is lower than in most of the existing literature
 - But whole point of lit. is that income shocks diff. from grants
2. Non-linearity and persistence of shock really matter
 - Medium-size, persistent shock vs. huge, very temporary shock
 - (My Conjecture): Cutting taxes/saving is a lot easier than spending hundreds of millions immediately
 - Supply/Creativity constraints likely bind very quickly

Anecdotal Evidence from A (Different) COVID Shock

American Recovery Plan Act of 2021: \$1.9 Trillion in Total Spending

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Law Passes March, 2021: By July 2023, 44% of local gov. aid had been spent (EPI)

Some Suggestions and Recommendation

Can Do More to Entertain/Rule Out Other Stories:

- Is there a compelling reason govts. should spend money in 2 years?
 - Theoretically, MPCs out of transitory & persistent shocks are very different
 - Total fiscal adjustment/spending response probably quite delayed
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 - Rules about municipal debt capacity?
 - How does fiscal equalization burden change with government choices?
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Some Things That Would Help:

1. Relate directly to “flypaper” literature qualitatively as well as quantitatively
2. Use case-study setting: what was the local government/press saying?
3. Follow-up in 10 (or 30) years

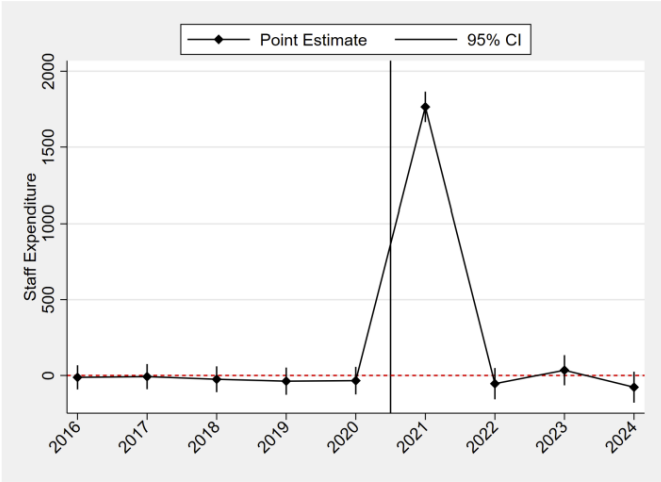
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Some Ways to Streamline/Clarify Analysis:

- I think “biotech” cities are most natural control group/most effective figures
 - Some data limitations, but think there’s a way to keep the most important results
 - Much more natural for spillover analysis
- Was the BioNTech shock also a “macro” shock?
- I think you want a “headline” dollar-for-dollar number
- Use p.p. instead of multipliers and counts p.c. instead of “industry share change”
- Restrict to “real data” instead of forecasts
- Had trouble “adding up” some of the numbers (Fig. 1 vs. Summary Stats table)

Staff Salaries?

Figure A26: Staff Expenditure



Thank you!