

# Locally Optimal Place-Based Policy: Early Evidence from Opportunity Zones

Comments for the 11th European Meeting of the UEA

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## Overview of the paper

Opportunity Zones (OZs): Place-based policy that aims to bolster development in disadvantaged neighborhoods.

- Did it cause new development in the city? Where?
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Steps to answer these questions:

- Collect data on new developments at granular level.
- Causal analysis to estimate the new development response to OZs.
- Structural analysis to assess efficiency of policy relative to *locally optimal* benchmark.

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The author implements many strategies to convince that there is an effect.

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- Is housing getting more affordable in OZs?

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Structural model of probability of new development in a location.

- Full-information rational-expectations solution concept.
- Estimates model selecting most likely equilibrium.
- Counterfactual analysis under stationary distribution implied by model.



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- Can OZs shift the equilibrium in the city?
- Reallocation effects again:
  - Estimated model implies that total development in the city went up. What are the mechanisms?
  - Important to understand mechanisms to evaluate plausibility of estimates.