**Week 2 Problem Set: Million Dollar Plants**

**Overview**

This problem set will comprise of three components: (1) an analysis of selection (who/which places get treated), (2) an analysis of the effects on economic activity, and (3) an analysis of the welfare maximizing million dollar plant policy. See below for additional details.

**Data**

There are two datasets of winning and runner up locations on blackboard. A list of winning and runner up locations for each million dollar plant in the Greenstone and Moretti paper (2004), as well as the same information for the Slattery and Zidar (2019) paper, which has similar data for a more recent period.

**Selection**

What are the political and economic characteristics of places that win and come in second place as runner ups? How do economic and political characteristics relate to the generosity of the subsidy? How might these selection issues affect causal inference about the effects of million dollar plants?

**Effects**

How do economic outcomes evolve before and after “winning” the plant relative to the runner up? Specifically, how does wagebill and employment evolve in the 1-digit industry of the plant? What are the effects on house prices?

**Welfare**

How do these results inform your views on how much places should bid for million dollar plants? What are the welfare effects at the state and local level? And at the national level?

**Relevant Literature:**

Greenstone, Michael, and Enrico Moretti, 2004. Bidding for Plants: Does winning a `Million Dollar Plant’ increase welfare? <https://www.nber.org/papers/w9844>

Greenstone, Michael, Richard Hornbeck and Enrico Moretti. 2010. “Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings.” *Journal of Political Economy* 118(3): 536-598.

Slattery, Cailin, and Owen Zidar, 2019, “Evaluating State and Local Business Tax Incentives”. *Journal of Economic Perspectives.*

Kline, Pat, and Enrico Moretti, 2014, “People, Places, and Public Policy: Some Simple Welfare Economics of Local Economic Development Policies,” *Annual Review of Economics,* August, *629-662.*<http://www.annualreviews.org/doi/full/10.1146/annurev-economics-080213-041024>