

How Economic Development Tax Incentives Constrain K-12 Education

By C. Wen

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Global overview

This paper deals with tax abatements and their impact on school revenues.

Globally, it shows that tax abatements could undermine educational spending and therefore suggests limiting the power of local governments in abating school revenues.

This paper is really interesting, robust, well documented and well written.

We really like the implications of the paper ! Nice job.

We further develop our main points of attention, by dividing the comments into two main parts: the major ones we think the authors had to take into account, and some more minor comments.

Major comments

Our first concern is related to the methodology :

This is one of the main value added of the paper: you mix both quantitative and qualitative analysis.

However, the qualitative analysis pop up at the end of the paper.

We suggest you to create a global methodology in two parts : the quantitative regressions and the qualitative analysis (through focus group).

You need to explain better and longer what happens during the focus groups, what's the methods, etc... This is a full part of the paper that deserves lot more space!

A second major comment is still related to the methodology of the paper. Still in the methodology:

If you decide to exclude 15 outliers from the analysis —> then why are they coming back in the results ?

Two solutions : either you delete them from the Section 4 Results, or you change your way of introducing the “outliers” without stating you’re *excluding* them from the analysis.

As third major comment, we are not clearly buying the link with H2 as such.

We think one theoretical point is missing : the fact that poorer schools means lower salaries. Even if it could be seen as trivial, this has to be more clearly explained in the literature review.

Minor comments

The first minor comment is related to the regression:

The author relies on OLS. But did she conduct any robustness tests ?

The results could be biased due to unobserved time invariant variables. Maybe the author should run some of them, or at least mention this drawback.

Also, has the author any idea of the quality of the adjustments, through for example r-squared data ?

Finally, the author mentions in the manuscript that “*distressed localities are more likely to offer incentives because they are desperate to attract businesses.*”

Could we imagine the reverse ?

Tax abatements are mainly an attractive tool of the richest localities since they can afford it.

I hope these comments will be helpful.

Good luck.