"Legislative Redistricting, Party Politics, and the Spatial Distribution of Transportation Expenditure"
by Walter Melnik

and

"Do More Efficient Taxes Lead to Bigger Government?: Evidence from the Introduction of Withholding for the State Personal Income Tax"
by Libor Dusek and Sutirtha Bagchi

Discussion by David Schönholzer[1]

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Melnik (2018) Summary

- Effect of party identification on highway spending?
- Approach:
  - Panel of Ohio areas and highway expenditures
  - Treatment: change in electoral districts for state reps
  - Diff-in-diff comparing D-D, R-D, D-R, R-R transitions
- Findings:
  - Large drop in R-D areas relative to R-R (66%) (and others)
  - Concentrated among "large" projects
  - Interpretation as party alignment effect (Berry et al. 2010)
  - Heterogeneity by incumbency status

Strengths

- Rich highway investment GIS data
  - 9,870 projects at 30k locations over ten years
  - Point and line features with observables
- Interesting and important policy setting and institutions
  - Infrastructure investment urgent field of study
  - Governor's and legislators' allocation problem interesting
- Underexplored, creative treatment, policy relevant
  - Rich theory literature on boundary setting
  - Few efficiency assessments of redistricting

Areas of Improvement

- Research questions:
  - Effect of party on road construction
  - Efficiency costs of partisan alignment and redistricting
  - Political effects of infrastructure investment
- Identification issue: Gerrymandering
  - Sophisticated manipulation of electoral boundaries
  - Strategic considerations important
  - Change in area's strategic position not captured by FE
  - Construct instrument from redistricting model?
- Justification for asymmetry in D-R versus R-D
  - Currently: loss of incumbency premium
  - Alternatively: redistricting bias
- Highway investment source and timing
  - Bunching/RD in TRAC decisions
  - Legislation, state DOT, or governor? ARRA?
  - Expenditures: investments take time (Bar-Ilan Strange 1996)

Dusek and Bagchi (2018) Summary

- Why did governments grow in 2nd half of 20th century?
- Supply or demand side factors driving growth?
  - Supply side: efficiency of tax collection
  - Demand side: increased voter demand for services
- Approach:
  - Panel of U.S. state fiscal positions
  - Treatment: increased tax efficiency through withholding
  - Design: diff-in-diff of staggered introduction of treatment
- Findings:
  - Large, immediate, and persistent effect
  - Mainly direct: on personal income tax revenue
  - No change in tax base, rates, or expenditures
  - Some indirect: corporate and sales tax revenue
  - 10-12% of growth in revenue over 1944-1980

Strengths

- Clean model exposition
  - Clear derivation of estimands
  - Good discussion of treatment endogeneity
- Compelling evidence of direct effect
  - Transparent presentation of main result
  - Strong and robust income tax response
- Interesting further results
  - Extent of tax substitution
  - Quantification of channel relative to overall growth

Areas of Improvement

- Overall interpretation of results
  - "Efficiency" of tax withholding?
    - Economic efficiency? No general equilibrium
    - Tax production efficiency? No micro data
- Interpretation in terms of supply/demand:
  - Government trades off political cost against revenue
  - Debt burden and budget constraint seem important
- Introduction of personal income tax itself important
  - Dincecco and Troiano (2018)
  - Should sample be 48 or 29 states (pure treatment sample)?
- Further thoughts:
  - Broadening of tax base along which dimension?
  - Firm effects of withholding?
  - Behavioral bias due to anchoring?
  - Cost of tax filing (Benzarti 2018)?