“Legislative Redistricting, Party Politics, and the Spatial Distribution of Transportation Expenditure”
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and

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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)
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)?