

The Economics of Place-Based Policies

Introductory Material
Cecile Gaubert, Gordon Hanson, and David Neumark
February 2025
Draft: Not for circulation

Introductory Chapter

Our initial perception at the outset of this project was that long-standing skepticism toward place-based policies has been giving way to increased policy efforts aimed at reshaping local economies. Policymakers seem increasingly willing to adopt such policies, as seen in initiatives like Opportunity Zones, Build Back Better, and the Inflation Reduction Act, all of which incorporate place-based elements, explicitly or implicitly. One might expect—or perhaps hope—that this shift reflects new research providing evidence in support for place-based policies. However, while some recent studies provide empirical and theoretical support for certain place-based approaches, these remain the exception rather than the norm. Research has made progress in identifying which features of place-based policies are associated with different economic outcomes, but these relationships are often complex and highly context-dependent. There is no single, widely accepted conclusion that can directly guide policy design. Instead, the literature highlights a range of mechanisms, trade-offs, and heterogeneous effects, making institutional details and implementation strategies central to shaping outcomes. Complicating matters further, place-based interventions policies are often implemented as packages. Research has little to say about the nature of complementarities among policies.

Against this backdrop, the goal of this book is to bring together both empirical and theoretical economic research on place-based policies. It includes surveys of existing evidence on their effects in the U.S. and Europe, analyses of the institutional and political processes that

shape their development, theoretical analysis of when and why they might be justified, and empirical studies evaluating their impacts. In selecting contributions, we aimed to go beyond conventional place-based policies to include research on broader interventions that, while not explicitly designed to target disadvantaged areas, may still have meaningful spatial effects.

Looking at these policies through a wider lens helps clarify how public interventions shape local economies and what lessons these interventions offer for efforts to support struggling regions.

The chapters in this book take a broader perspective than the empirical policy evaluations that dominate economic research on public policy. While several chapters present and analyze such evidence, the book also emphasizes the role of policy design, implementation, and institutional context in shaping economic outcomes. Rather than offering broad assessments of policy impacts, these chapters focus on specific mechanisms and contextual factors that influence how place-based policies operate. In this sense, the research presented here serves as a resource for policymakers, providing an overview of recent advances in understanding these policies and their implications for local economies. It also lays a foundation for future academic research on place-based interventions.

The chapters address several key questions, including:

- What insights from recent economic theory help clarify the impact of place-based policies on welfare? Which place-based policies may be justified on efficiency or equity grounds, according to economic theory?
- How does the institutional context shape U.S. place-based policymaking, and what can be learned from the policymaking process?
- What features of past U.S. place-based policies have been associated with growth in jobs and related economic outcomes, and to what extent are these

findings reflected in current policies?

- How does place-based policymaking in the U.S. compare to that in the European Union, and what insights might be drawn from the European experience?
- How well do current U.S. place-based policies target distressed areas, and what factors influence their reach?
- What can be learned from “non-traditional” place-based policies, such as large-scale federal investment in production facilities, the relocation of government employment, and economic policies on Indian reservations?

In our view, the research presented in this book highlights several key insights. Some are more relevant to policymaking, while others are more directly connected to academic research, though there is naturally some overlap.

Insights relevant to policymaking include:

- Theoretical analysis shows that in the presence of agglomeration effects, place-based interventions can improve overall efficiency, even in cases where such interventions have traditionally been viewed more skeptically. When production benefits from density, place-based policies that promote clustering in productive locations are often justified. However, interventions aimed at lagging regions can also enhance efficiency, depending on the structure and nature of spatial spillovers. Subsidies to mobility and employment are the most direct tools for internalizing agglomeration effects on labor productivity. The chapter by Fajgelbaum and Gaubert develops and explores these insights.
- Understanding the roles of different actors in the development, formulation, and

implementation of place-based policies helps clarify the conditions under which these policies emerge and evolve. The chapter by Hanson, Rodrik, and Sandhu examines these institutional dynamics in detail.

- The specifics of policy design matter. The choice of policy instruments and their implementation shape economic outcomes, and research provides insights into these effects. The chapter by Freedman and Neumark synthesizes much of this evidence, highlighting cases where U.S. place-based policies—both longstanding and newly implemented—incorporate lessons from past research, and where they do not.
- The European Union offers a contrasting approach to place-based policymaking, with policies that differ in fundamental ways from those in the U.S. The chapter by Berkowitz, Storper, and Herbertson explores these differences and the insights they provide for evaluating alternative policy strategies.
- Designing policies that succeed at targeting the most economically distressed areas remains a challenge. Some recent programs, which place less emphasis on precise targeting, do not appear to reach these areas as effectively as older policies. The chapter by Corinth, Coyne, Feldman, and Johnson compares targeting strategies in programs such as Opportunity Zones and the New Markets Tax Credit. Given the near-absence of policies explicitly targeting the most distressed areas, evaluating the effects of place-based policies on such areas remains difficult. This underscores the potential value of small-scale trials to test new approaches before broader implementation.¹

¹ Examples include the Rebuilding Communities Job Subsidies proposal (Neumark, 2018).

- At the same time, it is important to consider a broader set of policies that have spatial implications. The evidence on their effects is mixed, but some research points to potential benefits from large-scale industrial development (see the chapter by Garin), the geographic allocation of government employment (chapter by Freitas), and economic policies on American Indian reservations (chapter by Akee, Jones, and Simeonova).
- More generally, we emphasize that building evaluation mechanisms into place-based policies is critical. Even when policies incorporate lessons from past research, their actual effects are uncertain. Ongoing evaluation is necessary to understand their impact and make adjustments over time.

Some key takeaways for researchers include:

- Empirical research often measures the effects of policy on market outcomes, but a key challenge is identifying the size and heterogeneity of spatial spillovers—crucial for designing place-based policies that achieve their goals. Newly available granular data on social interactions opens up important opportunities to make progress on this front.
- Additionally, while theory offers clear predictions about policies that would maximize efficiency, these ideal policies are often impractical in real-world settings. A key research priority is to assess how well “second-best” policies—those that account for institutional and political constraints—can approximate theoretical optima.
- Although existing research tends to examine place-based interventions on a case-by-case basis, practitioners are often charged with implementing policies across a

range of domains at the same time (e.g., worker training, promoting small business, attracting major investment projects). There would likely be important payoffs from a better understanding of the tradeoffs practitioners face in making choices of which policies or combinations of policies to support.

- Despite the challenges, more research is needed to rigorously assess how specific features of place-based policies shape economic outcomes. A key difficulty is that policy variation is often complex, making it hard to categorize policies in a way that can be reliably analyzed with available data.²
- While institutions play a central role in shaping economic outcomes, empirical evaluations of place-based policies have yet to fully account for institutional heterogeneity. The chapter by Hanson, Rodrik, and Sandhu highlights regional variation in organization capacity for place-based policymaking, pointing to the potential for new research that examines the origins of regional differences and their consequences for effective policy delivery.
- Comparative research on alternative place-based policies remains limited. Rather than evaluating policies in isolation, direct comparisons—examining differences in targeting, implementation, and outcomes—can provide interesting insights. The chapter by Corinth, Coyne, Feldman, and Johnson, which compares Opportunity Zones and the New Markets Tax Credit, illustrates the value of this approach. Extending it to explicit comparisons between U.S. and E.U. policies could be particularly informative.
- An important question in place-based policymaking is whether interventions have

² See, for example, Neumark and Young's (2021) study of state enterprise zone policy variation.

lasting effects after the initial policy ends. Some research, such as the evaluation in the chapter by Garin,³ has addressed this question, but it remains under-explored in studies of more traditional, narrowly targeted place-based policies.

- Expanding access to new data sources is essential for better evaluating place-based policies. For example, research on Opportunity Zones has been hindered by restricted access to tax data—a limitation that the chapter by Corinth, Coyne, Feldman, and Johnson successfully addresses.
- While there is some evidence of success of policies that are broader than traditional place-based policies, others have not yielded the intended results. Further research is needed both to evaluate these types of policies more systematically and to identify the specific design features that shape their outcomes.
- Whereas in the United States, place-based policy is an often complicated mix of federal, state, and local actors, sometimes working in concert and sometimes not, policy choices in the European Union tend to be made in a top-down fashion based on a common set of principles that are applied across all member countries. There are likely gains to be made from better understanding the tradeoffs between the more decentralized U.S. approach versus the more centralized E.U. approach in the design and implementation of place-based policy.

In the remainder of this introductory chapter, we describe and summarize the contributions in the other chapters of this book. We then close with some final thoughts.

Fajgelbaum and Gaubert

³ See also the evaluation of the Tennessee Valley Authority by Kline and Moretti (2014).

In “Place-Based Policies: Lessons from Theory,” Pablo Fajgelbaum and Cecile Gaubert revisit the theoretical rationale for place-based policies, basing their analysis on a canonical urban economics framework that incorporates agglomeration spillovers as the source of potential inefficiency. They derive several key insights that challenge some conventional wisdom about spatial efficiency and policy interventions.

A central conclusion of the chapter is that the market allocation of economic activity is generically inefficient even when spillover elasticities are constant across regions. This runs counter to the common view that if agglomeration economies are uniform, the spatial allocation is efficient. Instead, the authors show that the dollar value of spillovers, which depends on both productivity and agglomeration elasticities, varies across locations, creating scope for efficiency-enhancing interventions. Under constant and positive spillover elasticities, the optimal policy that reaches efficiency is a subsidy that is (on net) higher in high-wage areas. This policy reallocates economic activity towards higher-wage, higher-productivity regions, in contrast to many real-world place-based policies that favor lower-wage areas. More generally, the first-best labor subsidy rate in a given region equals its spillover elasticity, ensuring that firms and workers internalize agglomeration benefits.

The chapter also explores conditions under which favoring low-wage locations can be justified on efficiency grounds, beyond equity reasons. This occurs, for instance, when negative effects of density (congestion) outweigh agglomeration benefits, or when spillover elasticities are higher in low-wage locations, meaning that agglomeration gains are stronger in lagging areas.

Finally, the authors discuss the limitations of investment incentives and housing policies as substitutes for direct employment subsidies when agglomeration spillovers depend on employment density. While these tools may increase welfare in a second-best way, they cannot

fully correct distortions caused by labor density spillovers. Likewise, housing supply elasticities—while important for the incidence of policy—do not affect the fundamental design of first-best spatial interventions.

Freedman and Neumark

In “Lessons Learned and Ignored in U.S. Place-Based Policymaking,” Matthew Freedman and David Neumark survey the evidence on traditional place-based policies focused on job creation, with an emphasis on and framing around Enterprise Zones in the United States. They then extend their discussion to newer versions of place-based policies including Opportunity Zones and the California Competes Tax Credit, as a way of illustrating how policy and policymakers have sometimes heeded the lessons of past experience with place-based policies—but not always.

The authors first develop a “taxonomy” of place-based policy design features, and give many examples from Enterprise Zone and other program, including: the geographic targeting of incentives (e.g., narrow vs. broad), the incentives offered (hiring credits, other tax incentives, regulatory relief, etc.), and the mechanisms and decisions for distributing incentives (“by right” or an entitlement, discretionary, etc.). More substantively, they discuss considerations in the choices of these features of policy design, and which are more likely to lead to job creation. For example, Freedman and Neumark suggest that narrow geographic targeting may be more precise regarding where benefits go but can also lead to dissipation of effects from spillovers and relocation. They suggest that if the goal is job creation, policies that subsidize hiring are likely to be the most effective, unless the distortions that restrain hiring are on margins less related to labor costs. And they suggest that more discretionary allocation mechanisms are more likely to reduce windfalls and lead to actual job creation.

The authors then turn to a survey of evidence on Enterprise Zones, trying where possible to glean what lessons can be learned about design features that made these more effective or less effective at creating jobs.

Finally, they offer some evaluation of newer versions of place-based policies based on how well these lessons have been absorbed. They briefly discuss modifications of state programs—sometimes still structured as Enterprise Zones, and sometimes not—that appear responsive to concerns raised in earlier research. Turning to Opportunity Zones, they suggest that these have, at least so far, proven ineffective at creating jobs, likely because they do not directly subsidize job creation, and an absence of discretionary funding for investments most likely to create jobs. They contrast this with the California Competes Tax Credit, which appears quite effective for the opposite reasons; it subsidizes job creation directly, and it has a strong discretionary component.

Berkowitz, Storper, and Herbertson

Whereas much place-based policy in the United States has grown out of a desire to attract new productive investment to low-income communities and regions, in the European Union the motivation has been to ensure the success of the continental project of economic integration. As Peter Berkowitz, Michael Storper, and Max Herbertson explain in “Place-based Policies of the European Union: Contrasts and Similarities to the U.S. Experience,” shortly after the E.U. was formed in 1992 there was concern that once labor, capital, and goods and services were free to move across national borders, more developed regions would pull resources out of less developed ones. In such an event, integration would lead to greater regional economic inequality in the E.U., an outcome deemed antithetical to its mission. By creating the Cohesion Fund, the E.U. established a framework for targeting lower-income regions for resource transfers based on

criteria that were applied across all member states. This approach has since been extended to new policy domains, including helping regions adjust to the energy transition and promote technological innovation.

Berkowitz, Storper, and Herbertson compare place-based policy in the E.U. and U.S. in terms of motivation, actors, and design. Differences between the two regions abound. The E.U. tends to be rules based (i.e., establishing eligibility criteria that are applied throughout the union), to take a long-term view in evaluating policy impacts (since policy rules and procedures do not change with presidential administrations), and to involve a well-defined framework for E.U. interactions with national government partners. The U.S., by contrast, appears to freely mix rules and discretion in determining who is eligible for benefits, to implement policy based on relatively short electoral cycles, and to provide state and local actors with wide latitude in policy implementation. Despite these apparent substantial differences in place-based policy in the E.U. and U.S., ranking their relative performance is a challenge. Berkowitz, Storper, and Herbertson use their comparative approach to deepen our understanding of the potential for the E.U. and U.S. to deliver on their long-run policy promises.

Hanson, Rodrik, and Sandhu

If place-based policy in the E.U. emerges from a process that appears well-ordered and hierarchical, the U.S. approach would seem to defy easy categorization. When seen in its totality, the U.S. approach encompasses not just business tax incentives and Enterprise Zones, but also workforce development, small business promotion, technology hubs, and regional planning and strategy. Partly as a result, place-based policy in the U.S. involves a cacophony of actors across multiple levels of government and spanning the public, private, and non-profit sectors. In “The U.S. Place-Based Policy Supply Chain,” Gordon Hanson, Dani Rodrik, and Rohan Sandhu chart

the institutional development of place-based policy in the U.S. from its origins in land-grant colleges and local-level business recruitment in the late 19th and early 20th centuries to the present day in which local economic development organizations orchestrate much activity on the ground.

Modern place-based policy is the cumulation of top-down innovations spearheaded by the federal government, which has created many of the federal agencies that continue to fund place-based interventions, and bottom-up innovations by state and local actors that have created new policy instruments, new organizational capacity, and new methods of coordinating actions across multiple policy domains. Modern policy practitioners manage diverse policy portfolios and therefore make choices about complex combinations of policies that are rarely studied by academic researchers. They also rely on local organizations for policy delivery, which makes local organization capacity an important if under-appreciated determinant of whether place-based policies achieve their goals. Hanson, Rodrik, and Sandhu discuss how modern policy practice originated and describe how it is designed and implemented across the full set of policy domains that place-based policy practitioners are responsible for managing.

Corinth, Coyne, Feldman, and Johnson

Opportunity Zones, enacted as part of the 2017 Tax Cuts and Jobs Act, are the more recent incarnation of federal place-based policies. They provide tax breaks for investment in low-income Census tracts deemed eligible based on criteria regarding high poverty or low median family income and then chosen for eligibility by state governors. Concerns have been raised about targeting of Opportunity Zone credits; although the eligibility criteria ensure that the credits flow to lower-income areas, governors' selections among the eligible tracts may not focus on those tracts most in need. In "The Targeting of Place-Based Policies: The New Markets Tax

Credit Versus Opportunity Zones,” Kevin Corinth, David Coyne, Naomi Feldman, and Craig Johnson study the targeting of Opportunity Zone tax credits based on compilation of investment data from confidential tax data—valuable new evidence on its own.

In addition, they compare the targeting of Opportunity Zones with that of the New Markets Tax Credit—a longer-standing federal program (from the 2000 Community Renewal Tax Relief Act). The NMTC aims to stimulate investment and economic development in disadvantaged areas of the United States. The funding flows through Community Development Entities (CDEs) that must meet a number of criteria regarding serving low-income communities. Tax credits then flow through the CDEs from the U.S. Department of the Treasury—which also approves the CDEs.

As the authors explain, these two programs are very different models for place-based policies. Opportunity Zones largely entail selecting places and then leaving decisions to private investors. The NMTC is much more centralized, with the government playing an active role in where the investment goes (and potentially, via selection of CDEs, the nature of the investments). Past criticism of place-based policies for not targeting disadvantaged places that can gain the most might suggest that NMTC credits will be better targeted. Corinth et al. provide the needed evidence.

Overall, the evidence indicates that despite using two very different models, the targeting of Opportunity Zones and the NMTC is not strikingly different. Both end up targeting areas with higher poverty, lower family income, and weaker labor markets. Of course, there have to be some similarities because of program design, so the interesting question is really how credits are distributed across the most disadvantaged tracts. More surprisingly, perhaps, the targeting to these tracts does not differ that much across the two programs. However, Opportunity Zone

investments tend to go to disadvantaged tracts in more prosperous counties and higher-growth regions, and in areas with higher pre-existing private investment, suggesting that Opportunity Zone credits flow more to areas where the investment would have occurred anyway—implying greater windfalls to investors. This evidence to some extent confirms some criticisms of the Opportunity Zone program, while also indicating that the program still does increase investment in disadvantaged areas—just not the most distressed areas that are not, on their own, primed for investment.

Garin

One of our core goals in this book was to elicit research that goes beyond traditional place-based policies in considering other policy interventions that might help economically-distressed areas. Andrew Garin’s chapter—“Do Place-Based Industrial Interventions Help “Left-Behind” Workers? Lessons from WWII and Beyond”—is proof of the value of this endeavor, as are the chapters by Dimitria Freitas and by Randall Akee, Maggie Jones, and Emilia Simeonova. Garin’s begins by noting the U.S. policy shift away from laissez-faire production policy and towards production policy intended to address national needs with regard to security, green energy, and developing domestic industries more robust to international competition. While these policies are clearly less explicitly place-based, they may of course affect the locations where they are concentrated, and in some cases there may be mixing of place-based goals with the broader national goals, such as the concentration of cleantech manufacturing investments in more rural (and conservative) districts as part of the inaptly-named Inflation Reduction Act.⁴

Garin’s focus, thus, is on what he terms an “industrial intervention,” rather than a place-

⁴ See, e.g., <https://www.bloomberg.com/graphics/2024-opinion-biden-ira-sends-green-energy-investment-republican-districts/> and <https://home.treasury.gov/news/featured-stories/the-inflation-reduction-act-a-place-based-analysis> (both viewed February 17, 2025).

based policy. In particular, he studies that component of mobilization for World War II in which the federal government paid for the construction of new manufacturing plants to produce key products for the war effort—plants that were often sold to private investors for conversion to civilian use after the war. Location decisions were not based on place-based policy objectives, but rather strategic objectives leading them to be geographically scattered. Given the primacy of the latter strategic objective, these facilities often went to locations where workers were untrained for the work, which led to employers creating opportunities for training. Moreover, given that this effort came after New Deal-era labor law, and that the government was set on avoiding labor stoppages, unions were able to organize the plants (albeit with no-strike pledges).

The evidence (drawing on Garin and Rothbaum, 2025) indicates long-lasting impacts, although they differed from the initial impacts. At first, manufacturing employment rose sharply—not surprising given the investments being made. Population growth also occurred via migration, but more slowly. In the longer-run, the population increase persisted, but the share of manufacturing reverted to the same as other counties, as did the employment rate, although the participation of men ended up higher. In addition, there was a long-term increase in manufacturing wages, but not wages in other sectors. Still, this change in manufacturing led to higher median family incomes, driven by higher wages in semi-skilled blue-collar occupations. The authors attribute the longer-term wage impacts at least in part to the role of unions. Perhaps most intriguingly, linked Census data files point to positive long-run effects on earnings of men from low-income backgrounds, with the effects arising for those who remained in the counties where the investments occurred.

This was perhaps a unique episode in U.S. history, so a key question is whether we can draw general conclusions from other large-scale, localized industrial investments. Garin’s survey

of the evidence indicates that other interventions of this type did not lead to higher wages, even when job growth was spurred. Nonetheless, drawing also on evidence on job training and placement, Garin concludes—appropriately cautiously, in our view—that “big push” interventions that couple investments with coordinated efforts to create higher-skill, higher-wage jobs, may be more productive.

Freitas

In “The Potential of Public Employment Reallocation as a Place-Based Policy,” Dimitria Freitas examines the role of relocating public-sector jobs as a tool for regional development. While traditional place-based policies often rely on tax incentives or infrastructure investments, public employment reallocation—moving government jobs from capital cities or economic centers to struggling regions—offers an alternative approach that leverages the large size of the public sector in terms of employment.

Freitas provides a survey of the literature investigating the evidence on public job relocations, including capital city moves (such as Brazil’s relocation from Rio to Brasília), and decentralization programs (many of which are pursued in Europe).. The evidence is mixed. These policies can increase local employment and population, but their effect is typically not as large as initially expected. They also come with costs that are very variant and hard to predict.

A takeaway from the chapter is that public employment reallocation seems to have a measurable but modest impact on local private-sector job creation in the short run, with an estimated employment multiplier of 0.7—meaning that for every ten government jobs relocated, about seven private-sector jobs are created. However, these effects are concentrated in the local non-traded sector (such as retail and services), while impacts on the traded sector (such as manufacturing) are ambiguous. Initial conditions, such as the unemployment rate in receiving

areas and the geographic distance from the sending location, correlate strongly with the strength of these multipliers. In addition, there is limited evidence of adverse effects on sending areas—although these could be harder to detect. Former capitals or administrative centers often maintain economic stability, even after government employment declines. Overall, a lot of uncertainty remains. The review suggests that while public employment reallocation is not a panacea, it may be a valuable component of broader place-based policy strategies in some contexts.

Akee, Jones, and Simeonova

Prior to the 1990s, most government efforts to promote local economic development on tribal lands appeared to have had little success. Poverty on Indian reservations remained endemic and finding gainful employment often seemed to require moving elsewhere. The Indian Gaming Regulatory Act (IGRA) of 1988, which paved the way for large-scale tribal gaming, appears to have changed that reality. As Randall Akee, Maggie Jones, and Emilia Simeonova discuss in their chapter, “Place Based Economic Development and Tribal Casinos,” the creation of Indian gaming casinos on tribal lands has brought in large revenue flows to tribal nations, most of which have been directed to tribal members or to investments in tribal communities. The consequence has been rising educational attainment among Indian youth, increased employment opportunities on tribal lands, and return migration by tribal members who had moved to other regions.

Indian gaming casinos would thus seem to be among the most successful place-based policies implemented in the United States in the last 30 years. Yet, there is much we still do not know about their impacts, as Akee, Jones, and Simeonova explain. More research is needed to evaluate the spillovers from gaming casinos to other forms of economic activities on tribal lands and in neighboring communities, how different methods for revenue sharing by gaming casinos

affect impacts on local economic well-being, and what types of complementary policies may enhance the impact of Indian gaming on local economic development. Another caveat is that the opportunities provided by gaming casinos specifically may be unique to the situation of Indian reservations. In that sense, there may also be value in exploring innovative approaches that replicate some of the consequences of these policies but in different industries. Akee, Jones, and Simeonova describe a fascinating area for additional research on place-based policy and inventive approaches to constructing data to study these impacts.

Closing Thoughts

The chapters in this volume highlight the many forms place-based policies can take, from infrastructure investments to business incentives to public employment strategies. Economic theory provides a clear rationale for certain interventions, but in practice, the ability of these policies to achieve their goals, as implemented, remains uncertain. Some programs have credible evidence supporting them, but for many others, the evidence is limited, inconclusive, or nonexistent. This is not just a technical challenge: evaluating spatial policies is inherently difficult, as their effects unfold over long periods of time, and interact with broader economic forces. But the lack of rigorous evidence has real consequences. Without a clearer understanding of which policies work, governments risk misallocating resources, failing to achieve their goals, or even worsening regional disparities.

Addressing these gaps requires both stronger evaluation and policies designed with evaluation in mind. Some programs already include data collection or periodic reviews, but these are often insufficient for drawing firm conclusions. More systematic efforts—such as randomized rollouts, quasi-experimental designs, or better use of administrative data—could improve the ability to measure policy effects. At the same time, closer collaboration between

policymakers and researchers could make rigorous evaluation more feasible.

Beyond empirical work, a more systematic theoretical study of models that reflect the policies governments actually implement would also be valuable. Much of the existing theory focuses on idealized first-best solutions, while real-world policies are constrained by political, administrative, or fiscal limitations. Developing second-best models that account for these constraints could provide more practical guidance. The goal is not just to produce more research, but to ensure that place-based policies are designed and implemented with a stronger foundation, making them more effective tools for addressing regional economic challenges.

References

- Castro, Amy, and Stada West. 2022. "The Case for Basic Income Experiments." *Journal of Policy Analysis and Management* 41(2): 639-644.
- Garin, Andrew, and Jonathan Rothbaum. 2025. "The Long-Run Impacts of Public Industrial Investment on Local Development and Economic Mobility: Evidence from World War II." *Quarterly Journal of Economics* 140(1): 459-520.
- Kline, Patrick, and Enrico Moretti. 2014. "Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority." *Quarterly Journal of Economics* 129(1): 275-331.
- Neumark, David. 2018. "Rebuilding Communities Job Subsidies." Brookings Institution: The Hamilton Project. <https://www.hamiltonproject.org/publication/policy-proposal/rebuilding-communities-job-subsidies/>.
- Neumark, David, and Timoth Young. 2021. "Heterogeneous Effects of State Enterprise Zone Programs in the Shorter Run and Longer Run." *Economic Development Quarterly* 35(2): 91-107.