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Comments on Three Papers on Labor Market Effects of Opportunity Zones

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Comments on Three Papers on Labor Market Effects of Opportunity Zones

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Effects on assisted tracts & their residents

(\$33B cost assumed, based on Arefeva et al. \$11B-\$55B range)

	Cost per job	Jobs created	% job boost	Vacancy % boost	Emp rate % boost	Wage % boost	Earnings
My assumptions	\$11K (Empowerment Zone) to \$142K (business loc lit): \$76K per job assumed)			Assumed 3 x jobs boost (Davis et al., QJE 2010)	Elasticity wrt jobs <0.1 (county): 0.05 assumed	Same % as emp rate boost	Sum of ER + W
Back-of-envelope	\$76K	434K	1.8%	5.3%	0.1%	0.1%	0.2%
Seamans et al.	\$134K?	247K?	1.0%?	3.0% (ns)	0.1%?	1.6%	1.7%?
Arefeva et al.	\$14K (\$74K?)	781K (444K?)	3.8% (1.8%?)	5.4%?	0.1%?	0.1%?	0.2%?
Neumark et al.	<\$181K (per res)?	>182K? (res)	> 1.4% (ns, res)	>4.2%?	0.8% (ns)	1.3% (ns)	2.1%?

Annual tract resident earnings effects implied by 3 papers (for comparison with \$33B(?) cost)

	Percent	Dollar total
Back-of-envelope	0.2%	\$1.0B
Seamans et al.	1.7%	\$8.3B
Arefeva et al.	0.2%	\$1.0B
Neumark et al.	2.1%	\$10.2B

Tract resident effects are not overall social benefits

- **Gentrification bias:** Resident composition upgrades may cause upward bias compared to effects on original residents (Seamans et al.? Neumark et al.?)
- **Displacement bias:** Most of jobs created in OZs will come from elsewhere in same local labor market.
- **More on displacement:** For non-export-base industries, 100% within-area substitution. For export-base industries, 85% within-area substitution, based on business location literature.
- **Who in metro loses due to OZs?** Arefeva et al. says nearby tracts actually gain jobs, but who loses? Elsewhere in city? In suburbs?