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This brief comment (originally written in May 21, 2013) concerns with the reported first-stage estimates of the (fuzzy) regression kink design used by Lundqvist, Dahlberg and Mörk. The comment is posted on my webpage: <http://people.su.se/~pepet>. Below I have included the text without the tables and footnotes.

Table 1 reproduces the results from Table 2 in their paper and it shows the first stage estimates (it is noteworthy that four of the estimates are not reported in their table). They write: "It is clear from the table that all estimates are highly statistically significant, irrespective of order of polynomial and bandwidth. The magnitude of the estimates is around 3, although that differs somewhat across the different specifications". However, this conclusion is completely erroneous as can be seen from Table 2 which displays the first-stage estimates for the second and third order polynomial specifications for bandwidths $h=10$ and $h=5$ as well as for smaller bandwidths. Table 2 reveals that in almost all specifications with smaller bandwidths and with more flexible specifications the estimates are negative and large and sometimes significantly different from zero. Thus, given that the first stage estimates are very sensitive to the choice of bandwidth and polynomial specification, the conclusion must be that there is no regression kink at the threshold that can be used for a credible identification. The most likely reason for the identification failure of the regression kink design at the threshold is that there are other "kink-points in other components of the cost equalization that—by coincidence—could be close to the kink-point at two percent out-migration" as discussed by and Lundqvist et al. (2013).

References:

Dahlberg, M. E. Mörk, J. Rattsö, H. Ågren (2008), "Using a discontinuous grant rule to identify the effect of grants on local taxes and spending," *Journal of Public Economics*, 92, 2320-2335.

Lundqvist, H., M. Dahlberg and E. Mörk (2013), "Stimulating Local Public Employment: Do General Grants Work?", *American Economic Journal: Economic Policy*, forthcoming

Comment