

Rubber Stamping Opportunity Zones

Jefferson Duarte, Tarik Umar, Emmanuel Yimfor

Abstract

Central planners likely cannot allocate resources effectively when communication between different levels of government is impaired or there are political pressures. We test these predictions using the opportunity zone (OZ) program, allowing governors to allocate investment incentives to certain census tracts. Mayors nominated tracts to select, and these nominations are by far the most important determinant of governors' OZ selections. However, nominations are non-informative for investment. By contrast, past investment strongly predicts the OZ effect but not how OZ designations are allocated. Moreover, governors rubber stamp non-informative nominations more when political pressures are greater. Overall, our findings indicate rubber stamping is a primary explanation for how central planners allocate resources and communication between different levels of government is impaired.

JEL classification: D8, H77, R58

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