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A Long-Term Evaluation of the First Generation of French Urban Enterprise Zones

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Abstract

This paper provides a new empirical assessment of the long-term efficiency of locally targeted tax incentives in revitalizing distressed areas and improving local population situation. We focus on the first generation of the French “Enterprise Zone” (EZ) initiative, implemented in 1997. Contrary to previous results from similar programs in France, we observe a strong positive impact of the EZ initiative on economic activity in the short run, and this finding is robust to several identification strategies. However, long-run estimates suggest that this program fails to propel self-sustaining economic development. After five years, the early positive results level off as the increase in business locations is partially offset by more frequent business discontinuations. Moreover, the small impacts of the program on resident employment and local services suggest that the program lacked accurate targeting.

Keywords: Enterprise Zones, Local Employment, Propensity Score Matching, Evaluation.

JEL: C23, H71, R5

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