

Comments on “The Use of Field Experiments” A Feasibility Study

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IDRC, Ottawa, 15 January 2009

Editorial Comments

- 1 Presents pros and cons of field experiments (no oversell)
- 2 Costs and sample sizes well founded

A little quibble

Dismisses traditional methods too rapidly

Focus

Will raise a few of concerns

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Questions that should be answered prior to experiment

- 1 Low R&D in Canada despite generous incentives. Why ?
- 2 Low investment as well. Could be related.

- 1 Low return on investment.
- 2 Why should we increase financial incentives ?

- 1 Variation in R&D expenditures across regions/sectors.
- 2 Experiment will not explain why. May not be able to measure it (sample size).

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- 2 Is the problem at the intensive or extensive margins ?

- 1 Output measure.
- 2 Flypaper effect, substitution effect, crowding out effect. May foster other problems.

- 1 Ethical and economic issues.

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Task Force on Tax Assistance for the Resource Regions and the New Economy (Robert Gagné, Luc Godbout, Guy Lacroix)

Mandate

- 1 Look at the impact of 3 tax credits and one tax holiday on manufacturing firms in remotes regions of Quebec.
- 2 Serious political tensions.

Findings

- 1 Credits equivalent to 3%-12% of total costs.
- 2 Substitution effect.
- 3 Lower unit price by eligible firms.
- 4 May generate spill-over effects or contaminate experiment (maybe not).

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Diversity in industry and location:

- Experiment will provide “global impact of program”. No fine tuning of program in terms of risk/sector.
- If firms too heterogeneous then “Matching techniques”, say, could not be used (common support, balancing properties).

Regression-Discontinuity Design

Experiment II necessary (Grants/Contributions) ?

- Proposals are Accepted/Rejected on the basis of a “score”.
- Marginal firms (lowest accepted – highest rejected scores) are very similar.
- Selection scheme mimics a randomized field experiment.

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Conclusion

- 1 The paper argues convincingly for the use of a field experiment.
- 2 Experiments are extremely valuable tools for estimating treatment effects.
- 3 But,
 - They are expensive;
 - They do not avoid the need for sophisticated statistical techniques;
 - Standard regression methods are sometimes worthwhile alternatives.