

Abstract

Place-based policies can be an effective instrument for governments to encourage the economic development of a country. A Special Economic Zone (SEZ) is a place-based policy aimed at attracting FDI, employment growth, and supporting new economic reforms. In addition, an SEZ is a potential catalyst for development, particularly for emerging economies (Alder et al., 2016; Grant, 2017); foreign investors can have a drastic impact on the productivity of domestic firms, revenues, and market shares through the implementation of new technologies and the creation of new firms. However, the effects of SEZs on the domestic market at the firm level are largely understudied. In this thesis, I leverage the large-scale SEZ policy implemented by the Russian government in 2005 that aims to attract foreign investors to specific parts of the country by offering tax relief. The primary objective of this thesis is to quantify the effects of the Russian SEZ policy on local firms. To examine the effects, I use the generalized Difference-in-Difference methodology and apply it to a panel of firms in Russia for the 2006-2015 period. The data includes time-varying SEZ treatment on firms, firm characteristics, and accounting data. The primary outcome variables of interest are revenues, profits, and total factor productivity. The research findings could contribute to the urban economic literature on place-based policies and may be helpful to policymakers in determining the effectiveness of SEZ place-based policies.