

Daniel Mackay

Research Interests

My primary research interests are in public economics, industrial economics, and urban economics. My overarching research interest is the confluence of public policy and firm and/or consumer behavior such as market distortions and externality policies. I have three existing research projects.

My job market paper, "Estimating the Impact of Investment Tax Credits on Aircraft Demand," estimates the demand for commercial aircraft and evaluates the effects of investment tax credits (ITC). I find that the ITC encourages firms to upgrade to more expensive capital by purchasing a more expensive aircraft than they would have without the ITC; however, the ITC has very limited impact enticing firms to purchase new aircraft instead of used aircraft. The overall effect on new purchases is small. Thus, most of the tax credit was captured by the manufacturers of aircraft; moreover the ITC exacerbated the market power of suppliers, leading to market distortions. This paper has been submitted for publication.

My second research project is a study of the merger of McDonnell Douglas and Boeing. I intend to isolate the effect of the 1997 merger of the two largest domestic aircraft manufacturers. Owing to the specific nature of the aircraft industry, this merger has non-traditional implications. Specifically, many economists posit that aircraft manufacturers face a *falling* marginal cost curve. This leads to natural-monopoly implications when evaluating mergers in the aircraft industry. This research hopes to identify evidence that marginal costs are, or are not, falling for aircraft manufacturers.

My third research project is a study of state-level law on residency decisions. The Washington Metropolitan area offers unique insight into workers' residential choices. Many factors such as transit time to work, local amenities, and local taxes will influence this choice. The Washington D.C. Metropolitan area is particularly well suited for such a study due to the availability of residences in three different states within close proximity to the Federal District itself. Thus, new residents choose among substantially different government structures. This research focuses on the impact of local government structure on residency choices. Specifically, we strive to identify the impact of the various degrees of devolution to sub-state government on residency choices and ask if the varying degree of county level autonomy influences the likelihood that a new worker in the area chooses to reside there.

All three of my projects investigate the interaction of government policy and market operations. My job market paper shows the unintended consequences of tax expenditures intended to stimulate capital investment. The merger project investigates what, if any, consideration government regulators should give to economies of scale when judging a merger's market impact. And finally, my third project shall reveal the impact of state government regimes as states "compete" for tax payers. In all three cases, I study the interaction of public policy and market decision making.