Review of: "Using Taxes to Attract the Creative Class in the Presence of a Region-Specific Rent"

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The study touches, in principle, on an interesting subject, i.e. entrepreneurship and taxation. However, the current version of the analysis does unfortunately not provide any new insights. Below, I provide a few comments that hopefully help to improve the paper:

1. The main result of the analysis is that an economically disadvantaged jurisdiction needs to set a lower tax rate in order to be able to attract capital. This results is quite standard and can already be found, for example, in the public finance/international economics literature on attracting foreign direct investment or the urban economics literature on agglomeration effects.
2. It is not clear to me what is the benefit of the stochastic nature of the location-specific rent. The results would equally apply if the location-specific rent was definite. There is also no analysis with respect to the importance of the stochastic element of locating in jurisdiction A.
3. There is no element of entrepreneurship in the model. In the analysis firm/entrepreneurial profits are just exogenous, i.e., a black box. There are no economic decisions that could explain the link to the introduction which focuses on entrepreneurship. Modeling some form of entrepreneurial activity in the form of R&D/innovations seems necessary to align the motivation with the analysis.
4. It is not clear to me why it should be the case that I^B > I^A. Local spillovers could be a reason, but then again if we think of agglomeration rents, it is rather the case that I^A > I^B, which means that eq. (13) can never be satisfied. Besides, even if it is possible based on the trade-off in eq. (13) that the entrepreneur could locate in jurisdiction B, the analysis lacks an equilibrium solution which may very well entail that the entrepreneur has always an incentive to locate in jurisdiction A.