Discussion of ‘Urban policy and economic performance’, by Henry Overman

Demi-journée CGDD-EEP

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Direct conclusions

- Agglomeration effects matter: economic mass, skills and access to transport networks
- No real effect of sectoral proximity
Key messages for policy

- Policy makers should not try to target their action on specific sectors or firm sizes
- Investment should be focused on large fixed cost projects
- Planning should be more responsive to market price signals
Which scale is of primary interest?

- Local authorities might wish to balance outcomes over their territory of competence
  - Across districts: to avoid ghettos
  - Across cities: to economic deserts
- Sometimes, policy implies a trade-off between different scales
Still lots of question marks

- Understanding plants location decisions (not only the outcome but also the trade-off they faced)
- In particular, do agglomeration effects play a role at the location decision step or do well-located firms have less chance to exit?
- While average firm behaviors towards agglomeration may be measured, less is known about individual firms, depending on its characteristics
Which policies?

- Education and skill-increasing policies
- Amenities and infrastructure: public goods
- Planning and responsiveness of administrative decisions
- What about tax? Zoning (empowerment zones-like) programs?
Political economics issues

- Finally, does the mandate/competence of the local authorities (wrt to one of central govt) have an influence on the outcomes?
- Who should decide about the level of local taxes?