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Economics

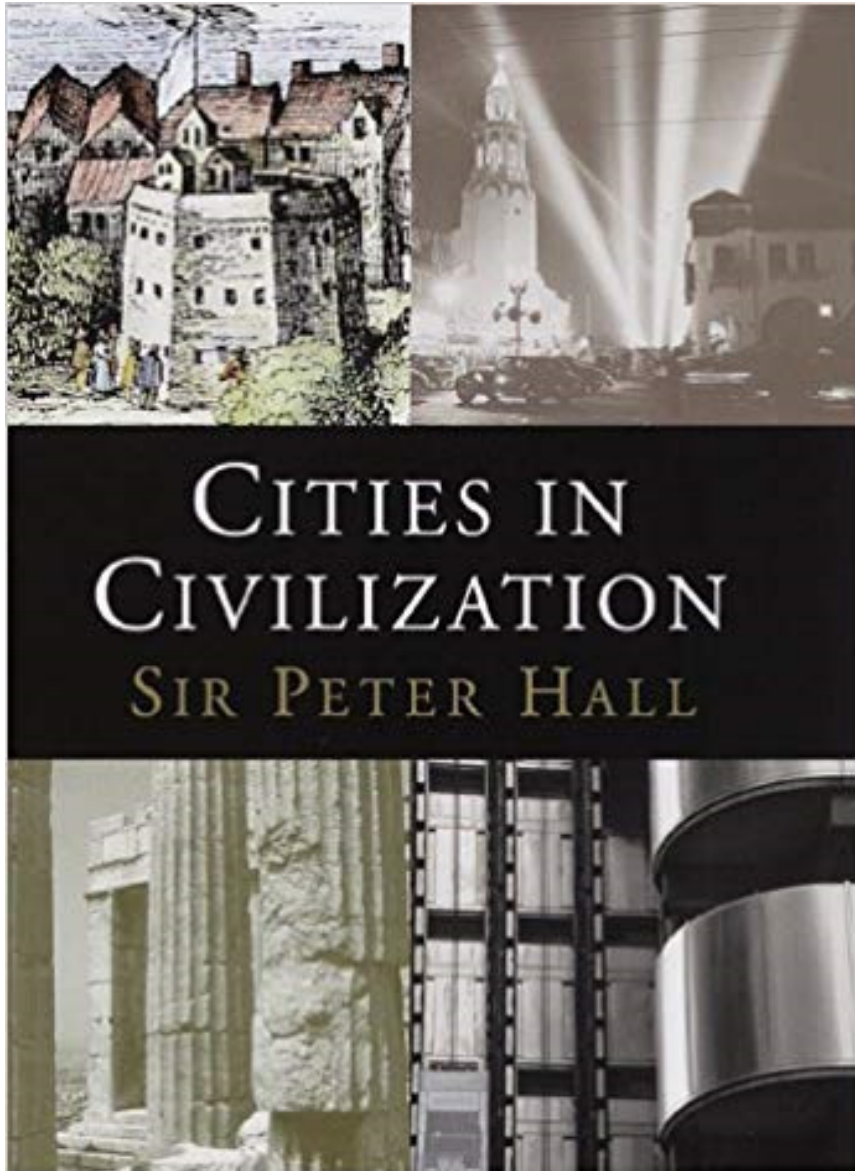
Welvaartsbeleid in de Regio

What Works (voor wat en voor wie)

Frank van Oort
11-12-2019

Erasmus University Rotterdam

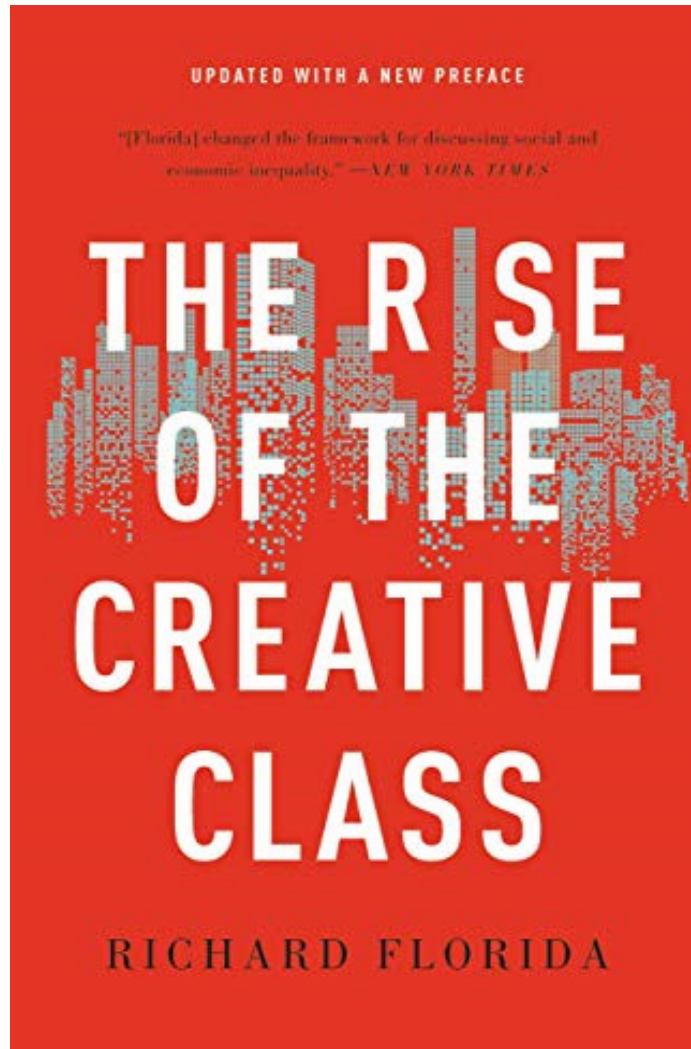




Until 1998:
Cities as Civilization

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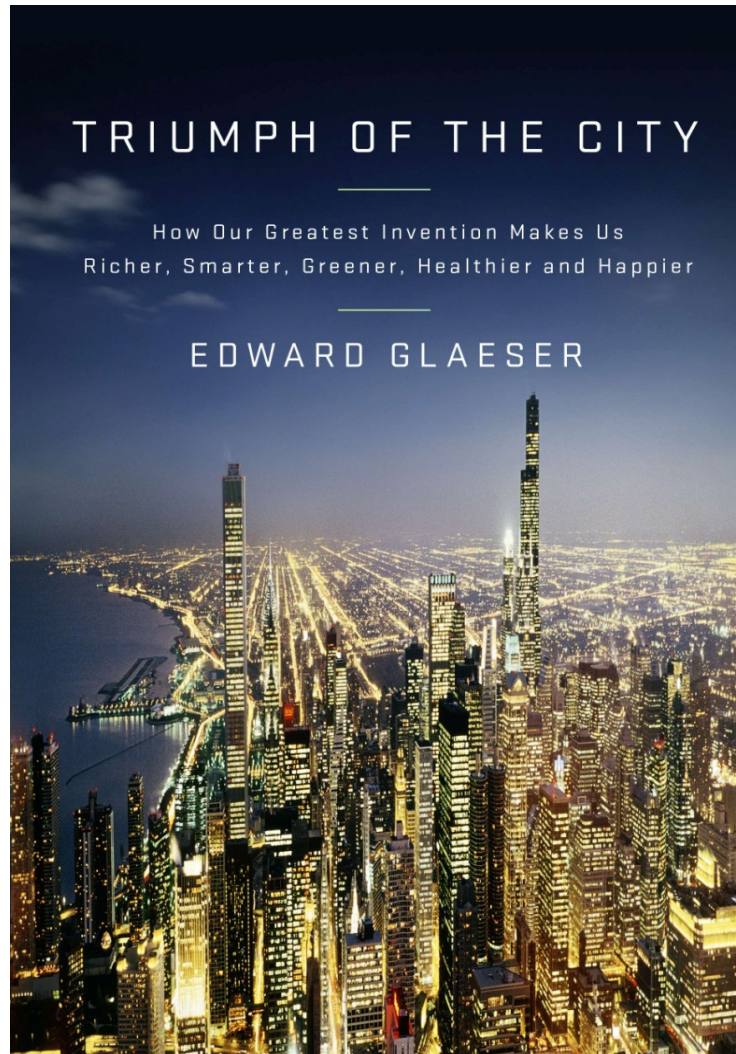
We Live in Turbulent Times



2002

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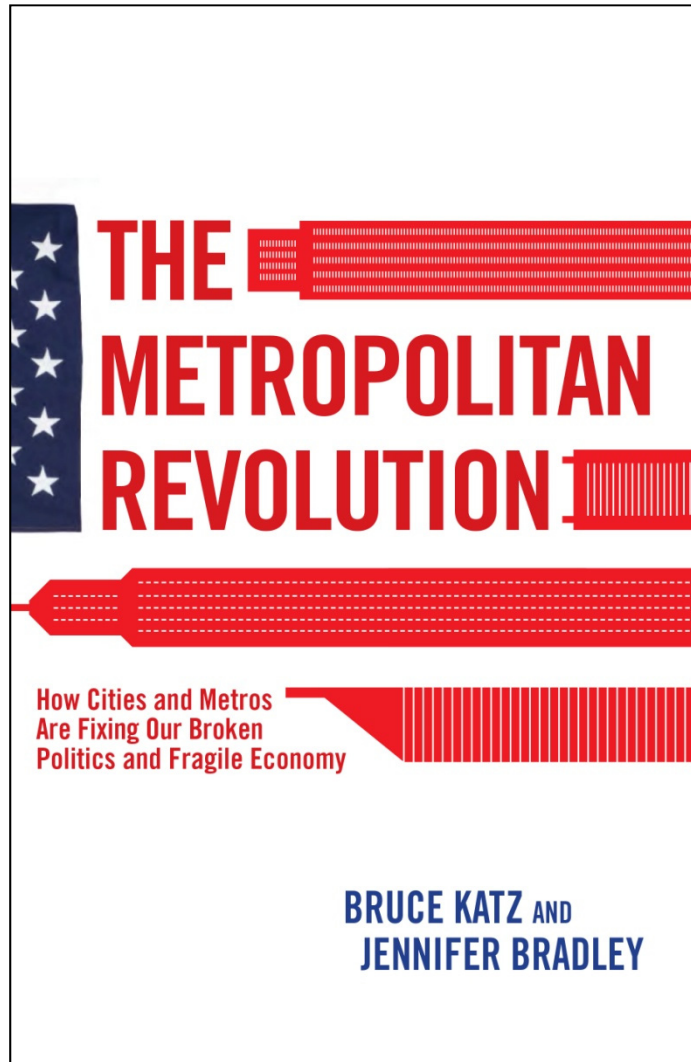
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2011

E. Glaeser

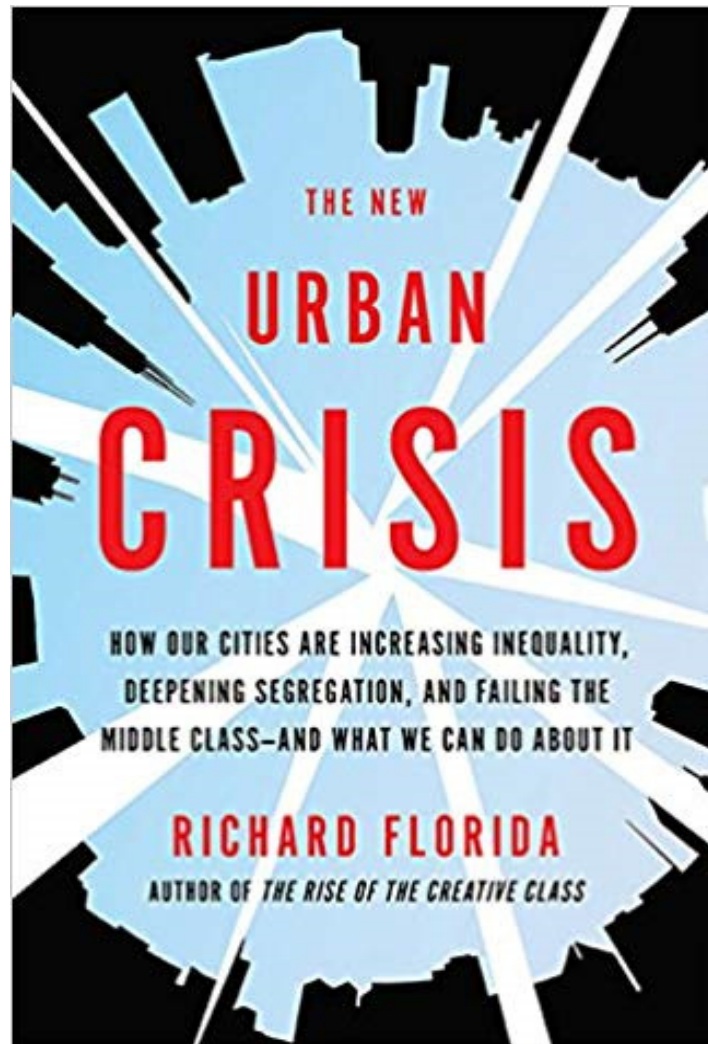
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2013

Ezra

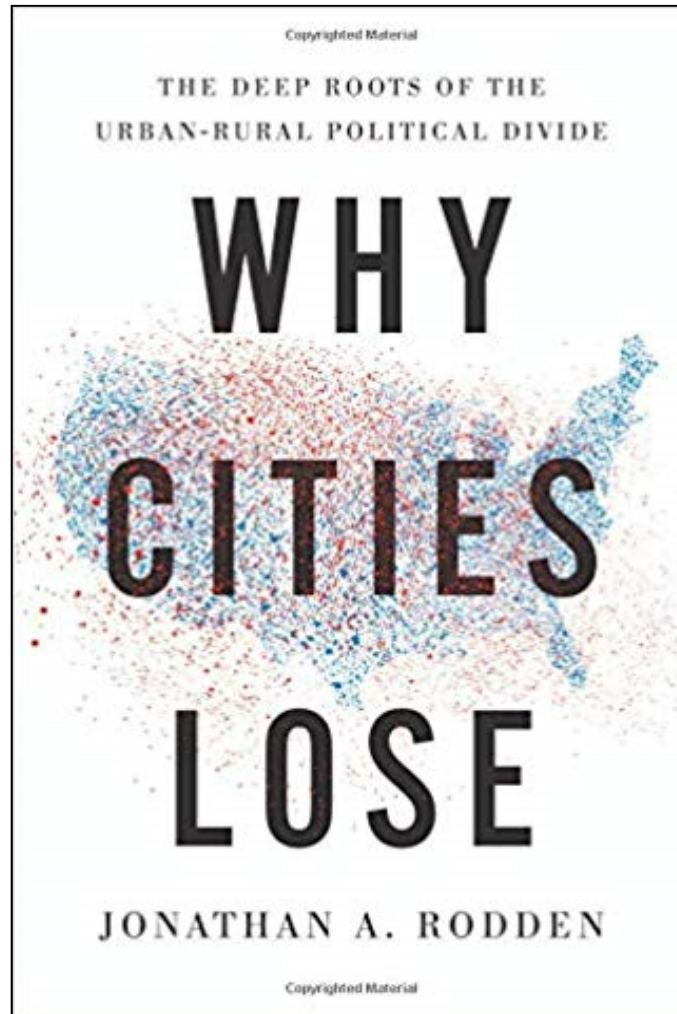
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2017

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We Live in Turbulent Times



2019

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We Live in Turbulent Times, and notice

- ✓ That cities and regions are complicated structures
- ✓ That create welfare, innovation and growth
- ✓ But also inequality, environmental threats and scarcity
- ✓ With problems in housing, land markets, urban planning, externalities and climate change
- ✓ And particularly in governance and cooperation
- ✓ We need more expertise to manage urban societies.

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More attention for local and broader welfare in cities

- Welfare effects in urban economics
- “What people value”
- Self-organisation
- Governance and Institutions

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Welfare effects in economics

- Place-based policies
- Identification
- Microdata
- Econometrics
- Sorting, causality
- Welfare implications

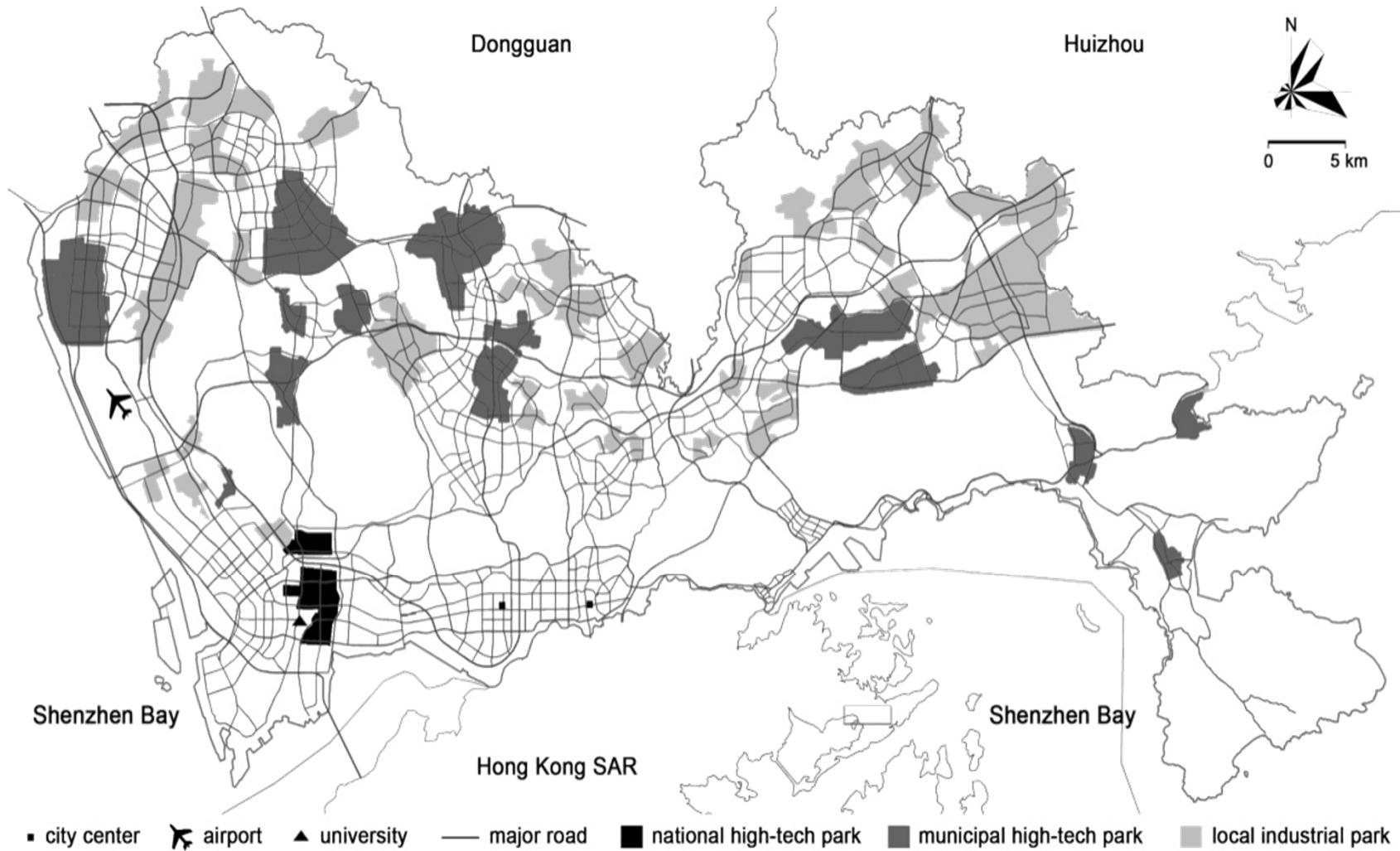
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Welfare effects in economics



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Welfare effects in economics



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Welfare effects in economics

TABLE 1 — BASELINE REGRESSION RESULTS ON THE IMPACT OF SCIENCE PARKS ON PRODUCTIVITY
(Dependent variable: the logarithm of firms' yearly output)

	(1) OLS	(3) RDD	(4) RDD	(6) RDD
Science park	0.294*** (0.106)	0.278*** (0.0954)	0.356*** (0.133)	0.437*** (0.136)
Year fixed effects (6)	Yes	Yes	Yes	Yes
Location variables	No	Yes	Yes	Yes
Firm variables (41)	Yes	Yes	Yes	Yes
Firm fixed effects (4,775)	No	No	Yes	Yes
Science park boundary fixed effects (15)	No	Yes	Yes	Yes
Distance to boundary threshold (km)	No	3	3	1.5
Number of observations	19,600	8,945	8,945	3,430
R^2	0.602	0.638	0.940	0.945

Notes: Standard errors are clustered at the neighbourhood level and are given between parentheses.

*** Significant at the 0.01 level

** Significant at the 0.05 level

* Significant at the 0.10 level



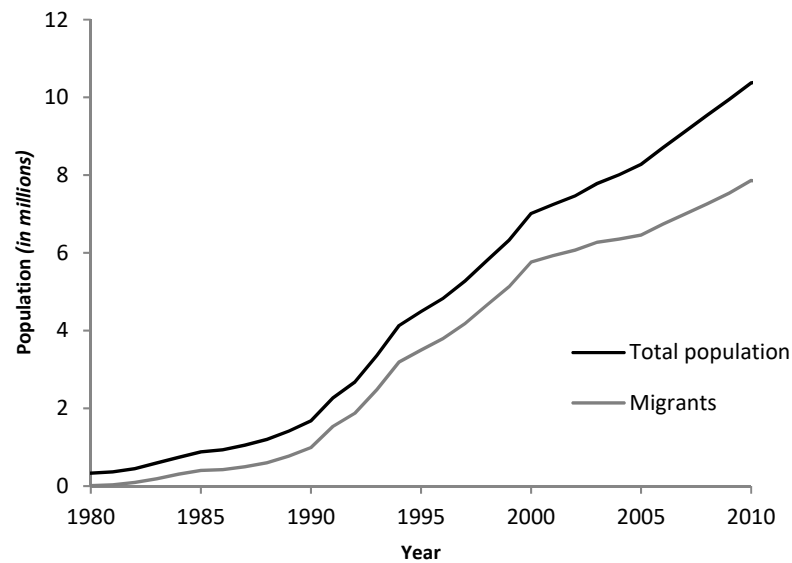
Welfare effects in economics

Deadweight losses:

- Market failure (external effects)
- System failure (missed opportunities in ecosystem)
- Governance failure (larger goals are not met)

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Welfare effects in economics are there, but stylized



Displacement of firms and people

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“What people value”

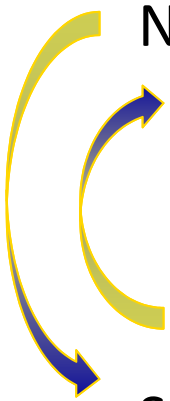
Necessary conditions: “you miss it when it is gone”.

Infrastructure, safety, housing, amenities, education.

Sufficient conditions: needed for competitiveness. Innovation,
skills, labour market, valorization, networks.

The Erasmus logo, featuring the word "Erasmus" in a stylized, cursive script.

“What people value”: 180 degree turn?



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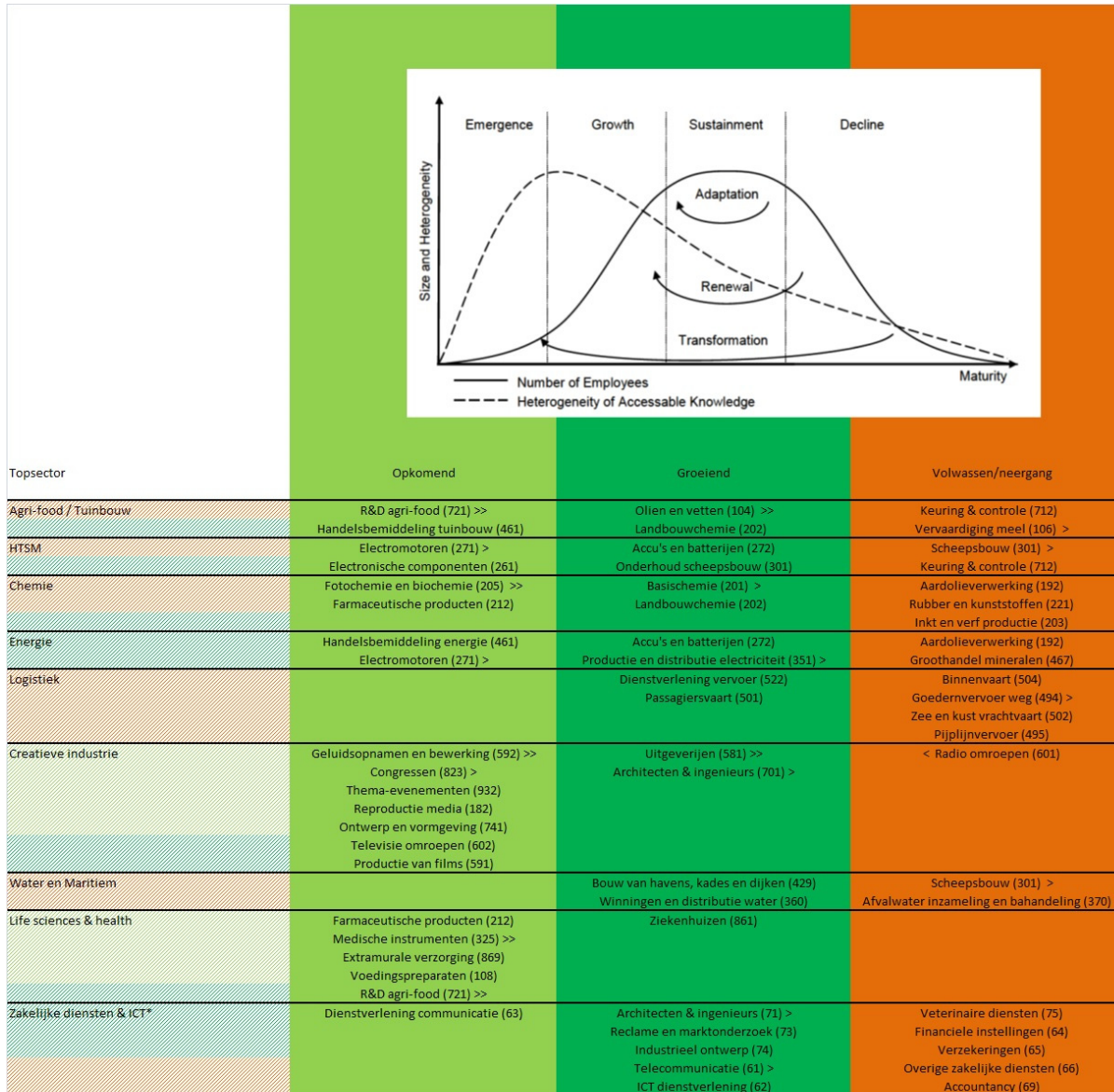
Blending industrial organisation with self-organisation

Structural change, evolutionary development, (un)relatedness, skill-upgrading of economic activities, life-cycles of firms and industries, global/local networks of interaction.

Informal institutions are crucial besides formal institutions in regional economic development.

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Self-organisation



* Niet onderzocht, inschatting.

“What People Want”

“It is better to have hope for an uncertain bright future
than to be certain of a gloomy one”

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Summarising

- Broader welfare effects in (urban) economics are there, but stylized (“failures”) and complex to identify,
- “What people want” arguably switches necessary and sufficient conditions,
- Yet this is not entirely true – self-organisation of local and global economies, people and firms, and production and consumption are crucial for economies of scale and welfare in the long run,
- Foundational and value-added economies therefore “blend” more productively than that they replace each other,
- “What works” needs to be convincingly proven - for what and for who?

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Dank voor uw aandacht

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