

Comments on

Are Big Cities Important for Economic Growth?

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Overview

- Last-longing and important question: The role of cities to economic growth and development (e.g., Lucas 1988)
- Careful calibration of a two-sector growth model (final goods and technology)
- Investigates the impact of urban scale on:
 1. Total factor productivity (TFP) – static productivity effects.
 2. Innovation and patenting – dynamic productivity effects.
- Counterfactual analysis where city size is limited (e.g., no city grows beyond 1 million people).

Main Takeaways

- Innovation is concentrated in big cities (65% of patents from cities >1 million people), but limiting city size still leads to only modest declines in output and growth.
 - Productivity (6-17% depending on the cap).
 - Technological progress (1-2% over a century with a 1 million cap).

Strengths

- Quantitative Analysis:
 1. Uses a counterfactual framework to estimate the impact of city size restrictions on economic output and innovation.
 2. Integrates static and dynamic effects of agglomeration, providing a comprehensive view.
- Historical Depth:
 1. Leverages MSA-level patent and population data from 1900-2010, offering a long-term perspective on urban scale economies.
- Clear Policy Relevance:
 1. Demonstrates that large cities are not strictly necessary for economic growth.
 2. Insightful for urban planning and development policies regarding city size and infrastructure investment.

Some Food for Thought

1. Would the effects on welfare be even lower? (Less congestion)
2. Would smaller cities imply more cities and thus more competition among them?

Klaus Desmet & Avner Greif & Stephen L. Parente, 2020. "Spatial competition, innovation and institutions: the Industrial Revolution and the Great Divergence," *Journal of Economic Growth*, Springer, vol. 25(1), pages 1-35, March.