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Trying to find our way

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VINCENT, FRANÇOIS, PAUL ET LES AUTRES
UN FILM DE CLAUDE SAUTET
Vincent, François, Paul... et les autres

A classic French movie

- A chronicle of the life of a group of friends...
- ...grappling with a number of complicated life issues
- These issues are all slightly different...
- ... and they provide each other support when they meet during the week-ends

May-be not a bad metaphor for a number of us
REMÉ, ALAIN, PAUL ET LES AUTRES
UN FILM DE CLAUDE SAUTET
Paul (Vincent):

In the movie, Vincent is an entrepreneur. Paul is concerned by the big picture.
• An old obsession of mine. We know it’s important but cannot make sense of it

• Each percentage point of urbanisation is 5% of GDP

• Structural change: it’s hard to square the numbers

• Agglomeration effects cannot be more than a small part of the story

• The demand for cities may be far from flat and there are tremendous supply frictions
Rémi (François):

In the movie, François is a doctor. Rémi and Adam want to revisit a core issue.

In the recent past, Vernon Henderson, Ted Miguel, Loren Brandt, Adam Storeygard, Ejaz Ghani, Gabriel Ahlfeldt, Esther Duflo, Harris Selod, Costas Arkolakis, Uwe Deichman, Marco Gonzalez-Navarro, Bill Kerr, Dave Donaldson, Paul Gertler, Alex Rotheberg, Gilles Duranton, Peter Morrow, Steve Redding, David Atkin, Kerem Cosar, Treb Allen, Rémi Jedwab, Simon Adler, Ben Faber, Nancy Qian, Nate Baum-Snow, Robin Burgess, Rick Hornbeck, Elisabet Viladecans, Dominic Bertelme, Somik Lall, Christian Volpe-Martincus, Guy Michaels, Bernie Fingleton, Abhijit Banerjee and many others have worked on this issue.
Let me be idiosyncratic

- The literature about the effect of transport infrastructure within cities is small and fairly settled
- The literature about the effect of transport infrastructure across cities is much larger and far less settled
- Adam and Rémi bring great new data about Africa
- But many issues are left open
Questions that the literature is struggling with:

• Data about roads are gettable. Trade data in developing countries are harder

• Prices play a key role for market access

• Identification is hard because it’s a general equilibrium within a network

• We have a really hard time modelling trade costs

• Theory makes ambiguous predictions

• We rely a lot on the dominant framework but it is special and it is unclear how appropriate it really is
More specific issues regarding Adam and Rémi’s work:

• Instruments: far-away changes as surrogate for close changes: OK less likely to be endogenous

• But is that consistent with $\sigma = 3.8$? (change at 250 km weights only 0.4% relative to change at 50 km)

• The IV may just capture the same radial – is that an IV?

• The IV may capture a road that circumvents a settlement – this should lower market access... Why is the IV coefficient larger than the OLS?

• Only goods travel: Is the effect about trade or about cheaper bus tickets?
Alain (Paul):

In the movie, Paul is a journalist and a loner. Alain laboured alone for many years.

He’s convinced me we need to think about the urban transportation problem in developing cities seriously.
• In Alain’s world, only people travel. Are agglomeration effects only about local labour markets?

• Are Chinese urban clusters that different?

• Newly emerging urban clusters are thought as collections of centres and subcentres. No room for sprawl and diffused urban development?

• ‘New’ cities will be needed in China and there is a reasonable case for those to be close to existing centers and each other. But will urban planners put them in places for which there is demand?

• Won’t there be other planning failures? Eg, when forcing a particular set of activities or a specific form of spatial organisation?