“Urban Agglomeration and Economic Growth in Latin America”

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MOTIVATION
Chilean Development Economic Model

Promote Export Policy

Open Market

Macroeconomic Stability
PRODUCT DIVERSIFICATION (1975-2008)

EVOLUTION OF NUMBER OF EXPORT PRODUCTS
EXPORTER DIVERSIFICATION DE (1975-2008)

EVOLUTION OF NUMBER OF FIRMS INVOLVED IN DIRECT EXPORTS
MARKET DIVERSIFICATION (1975-2008)

EVOLUTION OF NUMBER MARKETS WHERE CHILEAN EXPORTS GO
Main explanation

- Reduction on the TFP growth
- There is not spatial consideration on the evaluation
- What about concentration around the main metropolitan area?
Share of Population Living at Santiago

\[ y = 0.0025x - 4.659 \]

\[ R^2 = 0.9648 \]
Concentration and Growth

Williamson, 1965

Trade off between efficiency and equity

Inefficient Spatial Concentration

Dominant paradigm

GDP pc
From New Economic Geography or NECG

- Concentration and Growth reinforce each other (Fujita y Thisse, 2002)
- Spatial Concentration induce more growth and vice versa (Baldwin y Martin, 2004)
- Concentration reinforce growth => the more concentrated is the economy the higher the growth (Martin y Ottaviano, 1999)

Is Agglomeration really good for Growth?
Global Efficiency, Interregional Equity and Uneven Growth

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2011

Abstract

According to NEG literature (Baldwin et al. (2004)), spatial concentration of industrial activities increases growth at the regional and aggregate level without generating regional growth differentials. This view is not supported by the data. We extend the canonical model with an additional sector producing non-tradable goods which benefits from localized knowledge spillovers coming from the R&D performing industrial sector. This view, motivated by the evidence, generates both an anti-growth and a pro-growth effect of agglomeration for both the deindustrializing and the industrializing regions and leads to two novel results: 1) when agglomeration takes place, growth is lower in the periphery; 2) agglomeration may have a negative effect on the growth rate of real income, both at the regional and at the aggregate level.
How much growth cost the current concentration?
Take more advantage of regional assets.

Concentration might cost 1 to 1.5 point of growth per year.
Hypothesis: Concentration and Growth

Williamson, 1965
Empirical results


Concentration and Growth

Williamson, 1965

GDP pc
GDP pc and Concentration


Agglomeration and growth: Cross-country evidence

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\textsuperscript{c} Département d'économie politique, Université de Genève, Bd du Pont d'Arve 40, CH-1211 Genève 4, Switzerland
Urban Concentration effect on Growth

Equivalente a US$ 10.048

Adaptación Figura 3 de Brülhart y Sbergami, 2009
Concentration and Growth

Concentration and Growth

Evolution
Primacy Index 750 versus GDPpc for 1980 (85 Countries)
Primacy Index 750 versus GDPpc for 2000 (85 Countries)
Primacy Index 750 versus GDPpc for 2010 (85 Countries)
CHALLENGES & CONCLUSION
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