

Topics in Economic Policy

The Economics of Place-Based Policies

Winter semester 2022/23

Outline

This course focuses on place-based policies and their effect on regional markets, especially labor markets. The objective of place-based or economic development policies is to support the local economy and encourage job growth. They can take the form of tax incentives or cash grants to influence business location decisions. Policymakers can also provide special public services to local businesses, such as customized job training. Another possibility is to invest in local infrastructure and land development. We will study the seminal economic papers in the field to understand the motivation and consequences of place-based policies. This course consists of four different sections. First, we will discuss the main economic models used to understand the economic arguments behind place-based policies. In section two, we will focus on the persistence of labor market frictions related to the need for policy inventions. Section three outlines selected types of place-based policies. The last section presents prominent historical examples of such measures in Germany and the U.S.

Schedule

Introductory session: October 18, 2022, 2.50 p.m. – 4.20 p.m. Room SCH A 216 B.

Seminar presentations: 13 & 20 January 2023, 9.30 a.m. – 3.00 p.m. Room TBD.

Instructors

Prof. Dr. Alexander Kemnitz, office hours: Tuesday, 4.40 - 6.10 p.m., SCH C 265, e-mail: alexander.kemnitz@tu-dresden.de

Dimitria Freitas, M.A., office hours: by appointment, SCH C 261, e-mail: dimitria.freitas@tu-dresden.de

Modules

MA-WW-VWL-2704a, D-WW-WIWI-2704a:
Topics in Economic Policy

MA-IB-GPOE-WP-IW-01: Economic Policy and Globalization

Requirements

Basic knowledge of microeconomics and macroeconomics. Basic knowledge of statistics and empirical methods is also beneficial. For a refresher, look at "Causal Inference. The Mixtape" by Scott Cunningham. It is available online [here](#).

Application

Please apply by e-mail to dimitria.freitas@tu-dresden.de by October 14. The application must include name, matriculation number, degree program, and up to three proposals of topics ordered according to preferences. Please find the list of available topics below. Students must familiarize themselves with the papers before application. We will present the first allocation of topics in the introductory session. You may participate in

the seminar if you missed the introductory session. Please e-mail the course instructor to check if there are still topics available. All participants must register for the seminar in HISQIS by October 25. The instructor will send an e-mail to registered students confirming the final topic assignment shortly after the deadline.

Exam

Seminar paper (weight: 2/3)

The seminar paper has to provide an informative summary and a critical review of the seminal article. This means:

- The main task of the seminar paper is to detail the methods and the results of the seminal article.
- In addition, you should discuss the paper critically and – more importantly - place it into the context of the literature closely related in terms of methods and the specific topic.
- You may also describe how your article fits into the general context of the

Topics

Section I - Introduction

1. The Welfare Economics of Place-Based Jobs Policies (Theory)

Kline, P., Moretti, E., 2014. People, Places, and Public Policy: Some Simple Welfare Economics of Local Economic Development Programs. *Annual Review of Economics* 6, 629–662.
<https://doi.org/10.1146/annurev-economics-080213-041024>

2. The General Equilibrium Approach to Place-Based Policies (Theory)

Fajgelbaum, P.D., Gaubert, C., 2020. Optimal Spatial Policies, Geography, and Sorting. *The Quarterly Journal of Economics* 135, 959–998. <https://doi.org/10.1093/qje/qjaa001>

3. The General Equilibrium Approach to Place-Based Policies (U.S. Application)

Fajgelbaum, P.D., Gaubert, C., 2020. Optimal Spatial Policies, Geography, and Sorting. *The Quarterly Journal of Economics* 135, 998–1036. <https://doi.org/10.1093/qje/qjaa001>

seminar. However, we expect to develop this in detail in the discussions of the presentations.

The seminar paper should not exceed 20 pages in 12pt font and 1.5-line spacing (15 pages only for module MA-IB-WP-GPOE-IW).

The seminar paper must be submitted by January 06 2023 as a hardcopy to the Chair's secretary (Heike Becker, SCH C 303, office hours: 08.00 a.m. – 11.30 a.m.) and as a pdf to dimitria.freitas@tu-dresden.de.

Presentation and Discussion (weight: 1/3):

The presentation should provide a summary of the seminar paper. It should not exceed 30 minutes (excluding questions), followed by a discussion of about 30 minutes. All participants need to contribute constructively to the discussion of each presentation. All presentations must be submitted by January 09, 2023, to dimitria.freitas@tu-dresden.de.

The language of both examinations is English.

Section II - The Impact of Regional Job Loss

4. Persistent Spatial Differences in Employment Rates

Amior, M., Manning, A., 2018. The Persistence of Local Joblessness. *American Economic Review* 108, 1942–1970. <https://doi.org/10.1257/aer.20160575>

5. The Individual Consequences of Local Job Losses

Autor, D., Dorn, D., Hanson, G., 2019. When Work Disappears: Manufacturing Decline and the Falling Marriage Market Value of Young Men. *American Economic Review: Insights* 1, 161–178. <https://doi.org/10.1257/aeri.20180010>

6. The Foreign-Born's Adjustment to Adverse Local Labour Market Conditions

Cadena, Brian C., and Brian K. Kovak. 2016. Immigrants Equilibrate Local Labor Markets: Evidence from the Great Recession. *American Economic Journal: Applied Economics* 8 (1): 257–90. DOI: 10.1257/app.20140095

Section III - Selected Types of Place-Based Policies

7. Taxation, Subsidies, and Firm Relocation

Pan, Y., Conroy, T., Tsvetkova, A., Kures, M., 2020. Incentives and Firm Migration: An Interstate Comparison Approach. *Economic Development Quarterly* 34, 140–153. <https://doi.org/10.1177/0891242420917756>

8. Public Infrastructure Investment

Baum-Snow, N., Henderson, J.V., Turner, M.A., Zhang, Q., Brandt, L., 2020. Does investment in national highways help or hurt hinterland city growth? *Journal of Urban Economics, Cities in China* 115, 103124. <https://doi.org/10.1016/j.jue.2018.05.001>

9. Public Sector Relocation

Faggio, G., 2019. Relocation of public sector workers: Evaluating a place-based policy. *Journal of Urban Economics* 111, 53–75. <https://doi.org/10.1016/j.jue.2019.03.001>

Section IV - Prominent Historic Examples

10. The German Government Move to Bonn

Becker, S.O., Heblich, S., Sturm, D.M., 2021. The impact of public employment: Evidence from Bonn. *Journal of Urban Economics* 122, 103291. <https://doi.org/10.1016/j.jue.2020.103291>

11. Mississippi's "Balance Agriculture with Industry" program in 1936 and Female Employment

Freedman, M., 2017. Persistence in industrial policy impacts: Evidence from Depression-era Mississippi. *Journal of Urban Economics* 102, 34–51. <https://doi.org/10.1016/j.jue.2017.08.001>

12. The Effect of Big Push Infrastructure Investment in the US

Kline, P., Moretti, E., 2014. Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority. *The Quarterly Journal of Economics* 129, 275–331. <https://doi.org/10.1093/qje/qjt034>