

The Spatial Dimension of Entrepreneurship

October 2, 2024

Main Points

- Incorporated some of Giacomo's comments into the model
 - Housing profits get rebated to local residents
 - Policy implications \implies results change!
- Priority list
- Talked with Andrea Chiavari on intangibles paper
- JMP sitting currently at 75 pages (appendix included) with the intro, policy experiments and conclusion still to write
- Wrote to Priit, Edouard, Elisa and will write to Victoria, Giacomo and Jaume next.
 - Victoria's question on contribution to literature: plants in space long studied
 - This literature mostly about trading costs, idiosyncratic risks of locations rather than capital misallocation
- Student seminar presentation slots were already taken
- Meeting CREi seminar speaker Karthik Sastry next week

Rebating local housing profits

- Suppose local councils own the land and that they rebate the generated profits back to residents on a location basis
- Profits by location are given by:

$$\Pi(H_l^d) = \frac{1}{1 + \eta_l} \frac{H_l^d \frac{1+\eta_l}{\eta_l}}{\bar{H}_l^{\frac{1}{\eta_l}}}$$

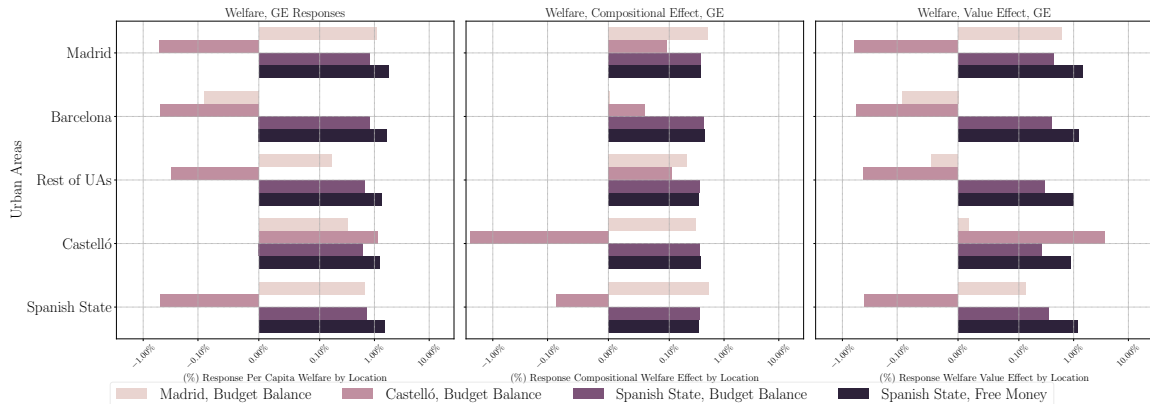
- Since these are distributed via lump-sum:

$$\Pi(H_l^d) = T_{h,l} L_l \text{ for each } l$$

- Adjust aggregate resource constraint and total demand in the economy to account for this

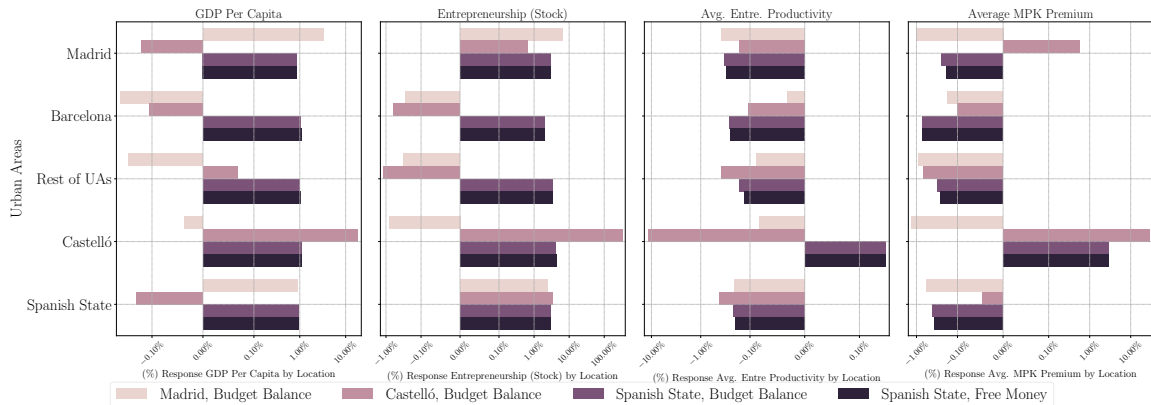
Results, Madrid vs Castelló vs Entire Country, Welfare

Benchmark: Effect of a place-based 0.1% country-wide GDP expenditure in transfers to Entrepreneurs in Madrid (large, productive), Castelló (small, less productive) or the entire Country (by means of the Labour tax)



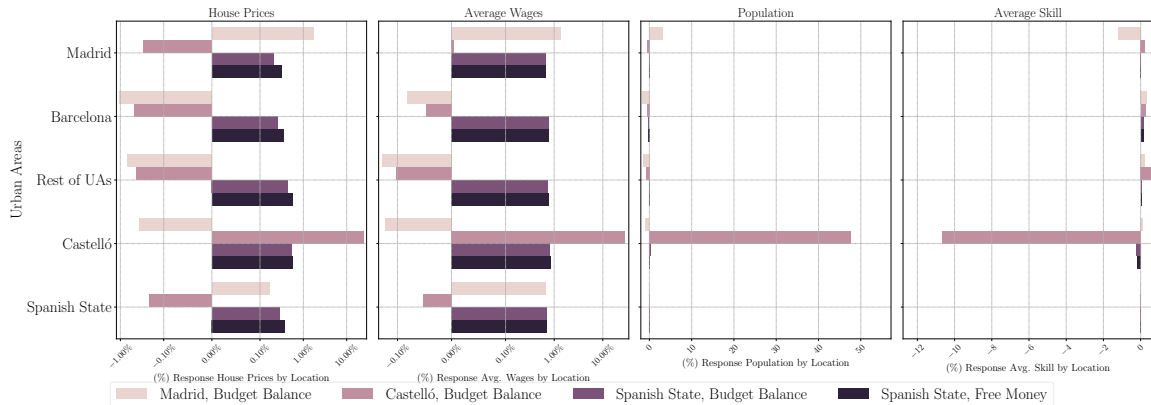
Results, Madrid vs Castelló vs Entire Country, Entrepreneurship

Benchmark: Effect of a place-based 0.1% country-wide GDP expenditure in transfers to Entrepreneurs in Madrid (large, productive), Castelló (small, less productive) or the entire Country (by means of the Labour tax)



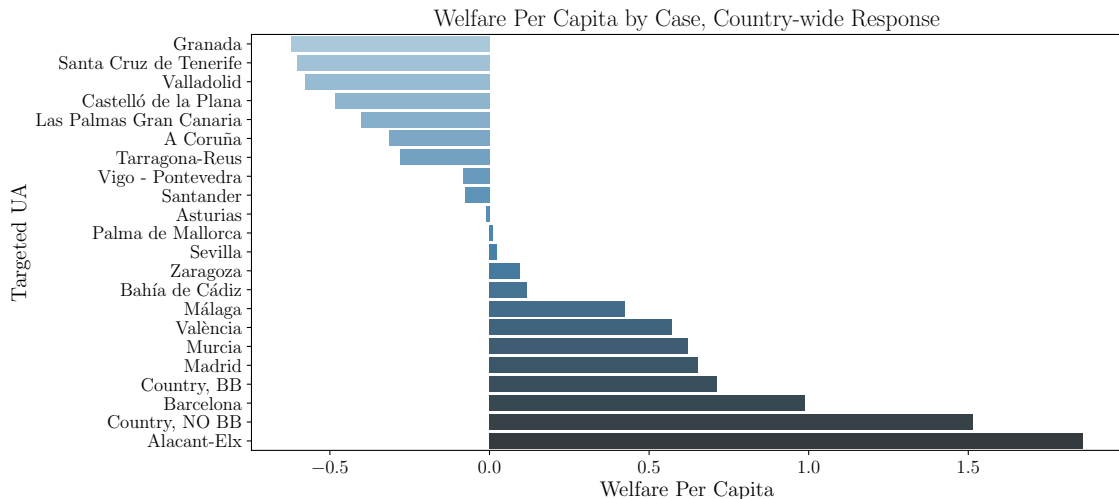
Results, Madrid vs Castelló vs Entire Country, Prices

Benchmark: Effect of a place-based 0.1% country-wide GDP expenditure in transfers to Entrepreneurs in Madrid (large, productive), Castelló (small, less productive) or the entire Country (by means of the Labour tax)



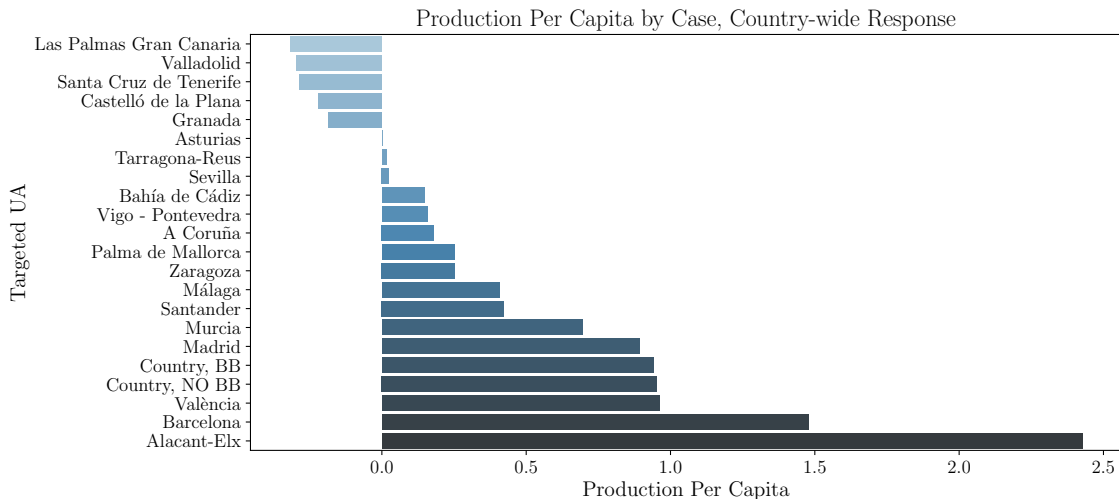
Results, all locations targeted, Country response, Welfare

Effect of a place-based 0.1% country-wide GDP expenditure in transfers to Entrepreneurs



Results, all locations targeted, Country response, Efficiency

Effect of a place-based 0.1% country-wide GDP expenditure in transfers to Entrepreneurs



Conclusion

- Bringing back the house profits into the model qualitatively changes the results
- Targeted location no longer suffers from compositional force decline
- Migration appears more limited in this case
- Currently computing the 0.25% policy experiment to test whether the ranking holds across different subsidy levels