

## Key points

- First : positive welfare effects within projects (that's good)
  - buildings get better, more formal structures
- Second : we can mostly rule out localized spillover effects
  - No nearby building construction/price gradients
  - No improvements in nearby house quality
  - No differential population sorting/growth
- Third : we can't really rule out big (project+spillover) amenity boost (my interpretation of Jesse's comments is that he is hinting at this one)
  - (project+spillover) composition improvement and population growth

## Interpreting a Big (project+spillover) amenity boost

- People move in!
  - Kline and Moretti population movement distortions (wages and rents adjust to inefficient levels both here and elsewhere; should we sign those distortions ie. are far away places worse off? Are there likely to be fewer slums in far away places now?)
  - But : could be offset by positive public good provision (hard for us to say)
- Smarter, more employed people move in!
  - Definitely second-order, but could matter in a Diamond world with education specific agglomeration (maybe say why we don't think that's relevant in South Africa)

## Kline and Moretti

What do people care about in a location?

- Wage
- Rent
- Amenity
- Taste

Welfare effects (from tax increase in one city)

- Cost of living increase (rents are out of whack)
- Dead weight loss (wages are out of whack)

- Goes to zero if nobody moves! (moving=evidence of distortion!)

#### Additional welfare effects

- Local public goods
- Agglomeration in production/consumption
- Unemployment and labor market frictions
- Credit constraints and missing insurance