

Results Summary

- House Quality and Infrastructure
 - BIG upgrades in project (*)
 - small upgrades in spillover (no *)
- Population Density
 - small increase in project (no *)
 - Medium increase in spillover (no *)
- Housing density
 - Medium increase in project (no *)
 - * big shift for formal
 - Medium increase in spillover (no *)
 - * same composition
- Prices
 - Big and negative really close (no *)
 - Zero further (no *)
- Population
 - both project and spill : Better edu/employed/income people (*)

Pitch

The way we were thinking about welfare has three components what's happening (1) in the project area, (2) in the spillover area, and (3) in all other areas. We find two interpretations depending on your statistical tolerance.

1. If you care about *'s (statistical significance) :

- Zero price/housing spillovers combined with zero population increase means that all welfare consequences can be confined to impacts in project areas
- Assuming no externalities from population sorting (ie. high-skilled people moving around)

2. If you don't care about *'s (economic significance) :

- We find positive spillovers nearby (new construction, population influx) which is evidence of a positive neighborhood externality
- This externality induces high-skilled people to move into the area

- (probably aren't leaving slums so not reducing potential slum externalities in all other areas)
- Residents of other areas likely benefit as rents decrease with fewer people there (Kline and Moretti) (assuming no additional externalities from population sorting)

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