Discussion of “Rural-Urban Linkages, Public Investment and Transport Costs”

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General Comments

• Great paper

• **Key insights:**
  - Financing matters (main type of financing in Tanzania?)
  - Sectoral / spatial targeting has unexpected sectoral / spatial consequences. How to reduce poverty? Should we develop places? Or people (if migrate)?

• **I have a few general comments** (for another paper?):
  - Better describe where the parameters come from. Your results depend on X (= ?) parameters.
  - Effect for 2001? Sluggish economy. External validity?
  - More specific comments in the next slides
Transport Costs

- Table 2: **trade costs in TNZ** = rents (51%) + melt (31%) + fuel (18%). Where do these numbers come from?

- Different transport cost wedges across locations. But what if Mwanza is an **intermediary sector** between “Rural” and “Dar” (i.e., add space to the model)?

- Lower trade costs => urbanization (increased pop shares of Mwanza & Dar). But Mwanza vs. Dar (urban primacy)? Centralization initially, then decentralization eventually, as trade costs keep decreasing?
TANZANIA

Source: Jedwab & Storeygard 2015
• “Our model omits a number of features that merit further research. [...] agglomeration effects [...] factor mobility [...] growth in factors of production.”

Thanks for making my task easier!

• How to reduce poverty? The poor disproportionately live in the countryside, but if strong dynamic agglomeration effects, growth comes from the cities. Is China developing because it has high ag productivity? Or high non-ag productivity? Good villages and/or good cities?

• **Heterogeneous migration costs**: easier to move from villages => Mwanza => Dar, but from cities => villages?

• **Growth in factors of production**: Tanzania’s population will double by 2050 (50 more million people!).
Minor Comments

• Title: “Rural-Urban Linkages” first? Something more catchy? “The Unintended Spatial Consequences of…”?
• P.8: My paper (Jedwab & Moradi 2011) is forthcoming at REStat. I also have my paper on railroads in Kenya (Jedwab, Kerby & Moradi 2015, forthcoming in The Economic Journal)
• P.9: “we can fully identify and account for causation”. Ok. But your approach also has issues, since the analysis based on many theoretical and parametric assumptions.
• What is the definition of “urban” that you use?
• Discuss the literature on urban-biased policies
• You strongly argue that standards of living are much higher in the cities than in the countryside. But if you compare “rural” and “slums” (where rural-to-urban migrants will first enter the city)? Also depends on amenities, housing space consumed, rents, unobservable skills.
Minor comments

• Compare your results with the existing empirical literature.
• Table 1: (Max – Min)/Average. Instead of showing columns (1)-(3), only show column (4) and another column with (Max5-Min5)/Average for the top 5 and bottom 5 prices. You don’t want the wedges to be driven by outliers.
• Table 1: Perishability can contribute to the transport wedge, and location-specific quality too. “Men’s trousers” are probably heterogeneous in quality across locations.
• Table 2: Why is the mark-up higher in Mwanza? Not clear.
• Table 3: Why output shares differs so much from consumption shares? Remittances? Commuting?
• Tables 4 & 5: These are great results, but you need to find a way to highlight some of them better. Otherwise, it’s easy to get lost.