

ECONOMIC GROWTH IN THE SUBURBS: POLYCENTRICITY VS MONOCENTRICITY

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INTRODUCTION

It would be interesting to know what makes people choose the places they want to live and work in. This way it could be a lot easier for planners to design the right policies. Is it the beautiful landscape? Is it the chances for a better wage that a place has to offer? Or maybe is it the density of a city that makes a place more and more pleasant over time?

Accommodation preferences vary tremendously. But if we would like to make a guessing it would be that people want to interact with other people and this only takes place in dense urban areas. And by trying to be more specific it wouldn't be a hyperbole to say that smart people want to exchange innovative ideas and they opt for the big cities. In this way a place becomes more attractive, social and civic engagement is facilitated, the economy becomes stronger.

Economy Sectors and Regional Proximity

If we distinguish between urban and non-urban areas then automatically we have different economic sectors in each of this categorization. It's true to say that innovation economies develop mostly in urban areas with abundant human capital specialized in innovation. New ideas are coming up for products that can be manufactured in other places throughout the world, which can also make great use of areas benefiting from utility gains and lower average land rents. The forces of urbanization and localization drive the location of a firm closer to other cooperating firms. Cities form and grow in every region in order to take advantage of economies of agglomeration. Spatial relationships between people and firms reveal the economic motivations underlying the formation functioning and development of cities. Agglomeration of firms benefits these relationships as industry clusters lead to better job matching, higher wages and greater opportunities for social engagement. By growing the already given clusters in a region and promote policies that create a sense of place regions will be made more competitive and appealing to firms and workers.

Polycentric Expansion

The concentration of human capital and firms is considered as evidence by the economists for the existence of agglomeration economies (Glaeser, 1999). The possibility people might be gathering to one place because of its innate natural characteristics has been seen as possible, but only about a quarter of this concentration can be attributed to existing natural advantage. So the question whether a productive place is more dense or a dense place is more productive cannot be answered by this definition.

At the same time, the concentration of human capital follows a certain power law pattern and cannot be infinite; otherwise we would be experiencing massive population gatherings in certain areas of the world. The 1000 largest cities are distinctly in the power law regime. Holmes and Lee find that growth rates are much lower among places that start with more people, and this probably explains the absence of ultra-high population areas. Their findings reveal some sort of congestion within ultra-high densities in cities and this makes them less and less attractive for newcomers to accommodate despite high wages and all.

With the exception of foreign immigration and the special case of refugees that a city might experience as a result of political decision in the context of humanitarian crisis, Andersson et al. (2021) analyzed the migrating behavior of natives for the country of Sweden following a massive movement in 2015. They found that arriving immigrants had a number of different characteristics other than their ethnicity when compared to the natives, but none of them was enough to make the old residents move to another city, municipality, or another metropolitan area. Among those who were really mobile, having the resources to move from their previous residence, the majority of them chose to move to another neighborhood within their existing municipality.

Summary

Urban areas with high density and a number of firms clustering within their respective central business district appeal a lot. Cities with plentiful jobs and amenities would attract the most skilled labor force. With the option of labor market pooling, and the possibility of workers moving between firms creates more job and learning opportunities when compared to rural and less dense areas. As the development of cities falls under very powerful laws, it is mostly important to study the direction of movement of human capital from the less to the more urban areas and realize the active sectors of the economy as well as with the use of fine-grained geographical data examine towards where those who move in or out go.

With the outburst of the pandemic of Covid-19 no direction is certain (Syriopoulos, 2020). Data has proven that health and safety should be our top priority especially for the super-skilled workforce and not proximity, policy measures will immediately and inversely affect the future of agglomeration as we know it. Success of firms will depend upon the digital infrastructure and nevertheless social and civic engagement will be taken care of and will be revised towards a more VR approach. The sense of place that used to keep workers attached to the old notion of “company towns”, probably the biggest notion behind agglomeration, will, for a long time, not be at work. Firms should develop a different approach to keep their human capital within and facilitate a new type of clustering, this time beyond industry boundaries. Innovation that comes from “interacting with a neighbor” will take a completely new meaning and firms who would like to enjoy high quality business services of i.e. companies in marketing, accounting and legal, will not be guided to cluster their headquarters in the same city to share their service, as communication along with the transportation costs will be minimized. Along with this change firms of all size and sector will be able to profit utility gains from lower average land rents.

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