

Research Findings - Localization Economies

1. Henderson (1986) found that localization economies were small, with elasticities (percent change in output per worker/percent change in industry output) ranging from 0.02 to 0.11.
2. Mun and Hutchinson (1995) found that agglomeration economies in the office sector are more powerful than those in manufacturing. The elasticity for the office sector was 0.27.
3. Carlton (1983) found that the number of plant births increased as industry output increased indicating that industry concentration fosters plant births. Carlton's elasticity of births with respect to industry output is 0.43.
4. Head, Reis and Swenson (1995) show that Japanese corporations locate their new plants close to other Japanese plants in the same industry.
5. Rosenthal and Strange (2000) found that plant births in a particular industry are more numerous in locations close to concentrations of employment in the same industry.
6. Henderson, Kuncoro and Turner (1995) concluded that growth is more rapid in areas that start with large concentrations of the particular industry.
7. Rosenthal and Strange (2000) found that localization economies fall rapidly with distance; at the rate of 50 percent per mile from the cluster.

Research Findings - Urbanization Economies

1. Duranton and Puga (1999) found that a city with a wide variety of industries (industrial diversity) has relatively more plant births.
2. Duranton and Puga (1999) found that industrial diversity provides a favorable environment for plant births but as the product and production process mature, localization economies become more important than urbanization economies.
3. Henderson, Kuncoro and Turner (1995) found that industrial diversity promotes employment growth, especially in new and innovative industries.
4. Hanson (2001) concludes that long-run industry growth is higher in cities with a wider variety of industries. These results conflict with studies that find that large concentrations of employment in a single industry promotes employment growth. So which is better, industry diversity or industry specialization?
5. Industrial diversity promotes product and process innovation. Glaeser et.al. (1992) found that knowledge spillovers contribute to the growth of cities with the spillovers occurring mainly between industries rather than within a particular industry.