

## Session 6: Infrastructure and regional development

### - Discussion Questions -

#### General Questions

- Analyzing the impact of infrastructure on economic development has been the theme for this and the past few sessions. Readings for this session examine the connection between infrastructure and economic development at the regional level.
- Compared to national-level analysis, why is it important to conduct analyses at the regional level? What new insights does it reveal? What conclusions that we already know from national-level analysis does regional analysis confirm or refine?

#### Specific questions on each reading:

##### Fan and Zhang: Infrastructure and regional economic development in China

- Recall Ali and Permia's discussion on how infrastructure promotes poverty reduction in the rural area by affecting both farm and non-farm sectors (see the graph at the end of this handout). How does Fan and Zhang's empirical research on China confirm or refine the findings by Ali and Permia?

##### Munnel: How does public infrastructure affect regional economic performance?

- Munnel finds that the "major impact on output from public capital comes from highways and water and sewer systems, while other public capital, which consists primarily of buildings, such as schools and hospitals, has virtually no measurable impact on private production." Is this conclusion something you expected, from your own experience and/or from readings from previous sessions? Why? Are there any reasons behind this?
- What are the author's findings of the impact of public capital on private investment?

##### Eberts: Public Infrastructure and Regional Economic Development

- Eberts' approach to examining the connection between public infrastructure and regional economic developing centers around the concept "locational advantage". What is "locational advantage"? How does infrastructure strengthen the locational advantage of a place?
- The author argues that the effect of public infrastructure on regional development depends on (1) the type of investment, and (2) economic conditions of the region (an

economically lagging region or a more advanced region). For example, economic overhead capital (public works—roads, bridges, streets, waterways) has a significant effect on GDP for intermediate regions but not for lagging regions; social overhead capital (education, health facilities, police stations etc.) exhibits the opposite effect. What are possible reasons for this?

Content removed due to copyright restrictions. To view the figure please go to page 4 of: "[Infrastructure and Poverty Reduction-What is the Connection?](#)" by Ifzal Ali and Ernesto M. Pernia.

### Ghosha: Infrastructure, Income and Regional Development

- According to the authors, “the most strenuous task of the policy makers must be to undertake policies by which to reduce regional inequalities in various economic and social infrastructure facilities rather than simply to target equalization of public investment across regions.” (p. 1046) What is the cyclical connection between infrastructure and regional levels of per-capita income, and how do you think that policy makers can solve these disparities?

MIT OpenCourseWare  
<http://ocw.mit.edu>

11.165 / 11.477 Infrastructure and Energy Technology Challenges  
Fall 2011

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.