

Title: Skills, Sorting, and Optimal Dynamic Spatial Policy

Author: Levi Crews (UCLA)

Abstract:

I study optimal spatial policies in a quantitative dynamic spatial model with forward-looking migration decisions, human capital investments, and local human capital spillovers. I characterize the constrained efficient allocation and show how to decentralize it with a simple set of policy instruments: a location-contingent "body tax" and a location-by-skill-contingent "brain subsidy." Using data on US cities and existing estimates of the spillover elasticities, preliminary results suggest that the US economy would benefit from further concentrating its high-skilled workers in a small number of currently high-wage cities.