

Boom Towns and Ghost Countries: Geography, Agglomeration, and Population Mobility

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Ghost towns dot the West of the United States. These cities boomed for a period and then, for various reasons, fell into a process of decline and have shrunk to a small fraction of their former population. Are there ghost countries—countries that, if there were population mobility, would only have a very small fraction of their current population? This paper carries out four empirical illustrations of the potential magnitude of the “ghost country” problem by showing that the “desired population” of any given geographic region varies substantially. First, the variance of population growth rates due to mobility across regions of the same country is often twice large as the variance across all developing countries in the world, while the variance of per capita output or income growth is much smaller. The ratio of the variance of the growth of population to the variance of the growth of output per head across regions within countries is 4 to 14 times as large as the same ratio across developing countries. Second, using county-level data, I construct “ghost regions” of the United States—contiguous collections of counties that are the size of many countries and have only a third the population they would have had without out-migration. Third, I compare the historical evolution of labor force and real wages of Ireland in the nineteenth century to the response of labor force and wages (or output per head) to negative shocks when labor mobility is restricted. Fourth, I calculate the changes in the labor force that would restore GDP per capita to its previous peak. All of these calculations suggest that even with thoroughgoing “globalization”—the free mobility of goods and capital—and complete “policy reform”—common economic institutions and policies—there will remain substantial pressures for labor mobility. This also implies there will be both boom towns and ghost countries.