Preface

After a long period of suburbanisation, since the 1980s cities have been in vogue again. But why? Why are people prepared to spend far more money on a small house in the city than on a large house in the countryside – and why doesn't this apply to all cities?

The appeal of the city in the twenty-first century is not only determined by the production side of the economy, but also by the consumption side: its array of shops, cultural activities and, for instance, a historic city centre. All these factors translate into land prices that are worlds apart and also, where production is concerned, into different wages for urban and rural citizens. This study maps out all these differences. The fact that land prices reflect the appreciation for those urban amenities makes them an essential measurement tool in the cost–benefit analyses for local investments and spatial planning policies and this sheds a new light on the organisation of public administration.

This book is meant to be an accessible read for a wide audience. We have avoided complex mathematical and econometric calculations. For the purpose of readability, references to literature have also been limited. This kind of background information is available to the interested reader on the website that accompanies this study (www.cpb.nl/stadenland).

This book is the result of an intensive collaboration between the researchers of the CPB Netherlands Bureau for Economic Policy Analysis, *Atlas voor Gemeenten* (the Municipal Atlas) and VU University Amsterdam. CPB has been taking a more intensive look at the meaning of location for economic activity for several years now. In its 2010 study 'The Netherlands of 2040', cities take a prominent place. This present book puts flesh on the bones of that analysis, both in empirical and policy terms. In its publication *The Attractive City* (*De Aantrekkelijke Stad*) in 2009, *Atlas voor Gemeenten* documented the correlation between house prices and numerous local amenities. We also build on that in this book. Chapters 4 and 8 draw from scientific journal papers published in the *Journal of Regional Science* (Groot, De Groot and Smit, 2015, Regional Wage Differences in the Netherlands) and the *Journal of Benefit–Cost Analysis* (Vermeer and Vermeulen, 2012, External Benefits of Brownfield Redevelopment). The main conclusions from this book have been summarised in the box at the end of this preface.

CBS Statistics Netherlands (*Centraal Bureau voor de Statistiek*) and the NVM Dutch Association of Real Estate Brokers (*Nederlandse Vereniging van Makelaars*) made an important contribution to this study through the disclosure of data.

Frits Bos, Stefan Groot, Martijn Smit, Niels Vermeer, Clemens van Woerkens and Annette Zeilstra collaborated on various chapters. Jasper Dekkers and Friso de Vor rendered technical support in accessing the NVM data. John Blokdijk and Jelte Haagsma created the illustrative figures. George Gelauff, Harry Garretsen, Fré Huizinga, Ruud Okker, Ioulia Ossokina, Maarten 't Riet, Eugène Verkade and Bas ter Weel commented on the texts. Secretarial support throughout this study was provided by Jannie Droog.

THE FIVE MOST IMPORTANT CONCLUSIONS FROM THIS STUDY

The price of land in the Amsterdam city centre is 200 times as high as that in the countryside of East-Groningen. This price difference more than doubled between 1985 and 2007. The importance of location has, therefore, grown considerably.

The wage surplus of agglomeration and urbanisation ranges between 3 and 10 billion euro, or 0.5% and 2% of the GDP. The total differential land value boils down to approximately 340 billion euro (excluding land for commercial purposes), which corresponds to an annual return of 15 billion euro, or 3% of the GDP.

77% of the land price differences can be explained by a limited number of factors, such as access to jobs, nuisance and amenities such as culture, shops and restaurants and cafes. Factors on the production side of the economy (access to jobs) and consumer amenities each explain approximately 50% of the land price differences. The presence of luxury shops, a historical city centre, bars and restaurants and cultural amenities together determine 30% of the land price differences.

The best way to finance a municipality is through a tax on the land value surplus. The increase in the Netherlands in the General Grant from the Municipal Fund (*Algemene Uitkering uit het Gemeentefonds*) per resident, according to the size of the population, is a second best alternative to a tax on the land value.

Since land price differentials reflect the user benefit of local public facilities, they are an excellent basis for social cost–benefit analyses and the best tax base for funding local governments.

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