Innovation Spillovers in Industrial Cities

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ABSTRACT
Older, industrial cities have suffered with the shift from manufacturing to services, but the increased importance of innovation as an economic driver may help industrial cities, which are often rich in the institutions that generate innovation. This paper studies how innovation is related to wages for different types of workers (e.g. more-educated versus less, and younger versus older) and to real estate prices for cities. We also study industrial and occupational employment shares. Our estimates indicate that innovation and aggregate education are associated with greater productivity in cities. They indicate that innovation and aggregate education impact wages less in industrial cities, but that they impact real estate prices more. We also find greater effects of innovation and aggregate education for more-educated and prime-aged workers. We pay particular attention to controlling for causality and adjustments of factor inputs.

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