

## **Agglomeration, productivity and the role of transport system improvements**

*Maria Börjesson, Gunnar Isaksson, Matts Andersson, Christer Anderstig*

### **Abstract**

We explore how transport improvements impact agglomeration and thereby productivity in mid-Sweden including Stockholm 1995-2006. We measure agglomeration, and changes in agglomeration in response to transport improvements, based on travel times for all modes. We apply an accessibility index derived from a multi-modal transport model. This is a more accurate measure of agglomeration than those previously used and also necessary for understanding how governments can impact agglomeration, and thereby productivity, by transport investments. We regress temporal changes in wages on temporal changes in agglomeration by applying a FE estimator. We deal with the potential endogeneity using a novel instrument variable. Our best estimates of the agglomeration elasticity on productivity lie within the interval 0.028-0.035.