PRESS RELEASE
Friday 3 October 2014

NEW RESEARCH FINDINGS FROM THE CENTRE FOR ECONOMIC PERFORMANCE

New research reports from the Centre for Economic Performance (CEP) at the London School of Economics are highlighted in the Autumn 2014 issue of CentrePiece magazine.

Among the findings:

- **IMPROVING EDUCATION IN POOR COUNTRIES**: The demand is there in rural India
- **TROPHY ARCHITECTS**: It’s worth a fortune to ‘game’ London’s planning system
- **DIGITAL MUSIC**: Album sales suffer when free online videos are made unavailable
- **OPEN SOURCE**: Big benefits from Wikipedia’s collective production of knowledge
- **MANUFACTURING**: Machines cannot fully replace people even in high-tech industries
- **AUCTIONING VISAS**: It’s time to reform the ‘investor route’ to UK citizenship
- **OVERSEAS STUDENTS**: Universities use fees to subsidise domestic postgraduates
- **WIND FARMS**: Wind farms reduce house prices in places where turbines are visible
- **TREATING MENTAL ILLNESS**: Proven psychological therapies effectively cost nothing

**Improving education in two extremely poor regions: triumph and tragedy**

Primary school education projects in two of the poorest parts of the world have had strikingly different outcomes: one, in rural India, has been spectacularly successful and reveals a previously unmet demand for quality education; the other, in West Africa, has been severely constrained by attempted extortion and illustrates the large potential hurdles to providing quality education.

For the past few years, CEP research associate *Peter Boone* and his colleague *Effective Intervention* have been running primary school education projects in the rural villages of Andhra Pradesh and Guinea-Bissau. Their initial survey of literacy and numeracy in Guinea-Bissau showed that very few children were learning anywhere – and their efforts to change that have to date encountered insurmountable obstacles. In contrast, children in Indian villages benefitting from the two years of extra education that the project provides have scored significantly higher on tests.

**Trophy architects and the ‘dark matter’ of London’s planning system**

A quarter of London’s skyscrapers are designed by architects who have already won a lifetime achievement award and whose work thus has the imprimatur of ‘iconic design’; this compares with just 3% in Chicago. According to research by *Paul Cheshire* and *Gerard Dericks*, employing such ‘trophy architects’ can get a London developer a valuable extra 19 floors on a representative site.

Their study shows how in the highly uncertain world created by the UK planning system’s decision-making method, it is worth spending a fortune to ‘game’ the system and get more space when you are successful. They explain the costs to society of these incentives to ‘game’ the system.

**Video killed the radio star? Evidence from YouTube and iTunes**

Making video clips of a song unavailable on YouTube has no effect on its sales on iTunes; but album sales suffer when video clips of a song from it are made unavailable on YouTube. These findings of a study by *Tobias Kretschmer* and *Christian Peukert* suggest that we need not worry too much about today’s equivalent of the old slogan ‘Home taping is killing music’.

Their research investigates whether digital sales of songs and albums suffer from videos of the material being freely available online, using a performing rights controversy in Germany that led to far more videos being blocked there than elsewhere: no other country in the world has less access to popular music content on YouTube than Germany, not even South Sudan or Afghanistan. The findings suggest that different digital channels interact in intricate ways – and availability on one can influence success on another.

**Wikipedia: the value of open content production**

Without the ‘spillover effects’ of open content production, the growth in Wikipedia editing activity between 2002 and 2010 would have been halved. That is the central finding of research by *Aleksi Aaltonen* and *Stephan Seiler*, which analyses editing data by Wikipedia users to show how content creation by individuals encourages others to contribute to the collective process of knowledge production.

Many organisations are developing open source platforms to create, store and share knowledge. This study shows how a larger mass of potential contributors to an online platform will generate bigger spillovers. Providing incentives for early users to contribute content will trigger further contributions.
Fiat Chrysler and the future of industry

Machines cannot fully replace people even in a high-tech industry like car-making. That is one of the conclusions of research by Giorgio Barba Navaretti and Gianmarco Ottaviano, which uses the example of the newly merged transatlantic car-maker Fiat Chrysler to debunk a number of myths about the nature of manufacturing and its viability in the mature economies of the West.

Is there a future for industry in Europe and North America? Yes, the authors say, as long as we realise that manufacturing is not all about cost compression or automation. They note, for example, that quality rather than low cost is where mature economies still generally lead.

The ‘investor route’ to UK citizenship

Simple reforms to the ‘investor route’ system whereby wealthy foreigners can get permanent residence in the UK would benefit current residents and signal that the country is open. That’s the view of Sir David Metcalf, chair of the government’s Migration Advisory Committee and an active CEP researcher for three decades.

In particular, he restates the benefits of auctioning visas. As critics have argued, this controversial idea would indeed be ‘selling settlement’ – but at present the UK is giving it away. And while no one knows the optimal ‘certain’ price of a UK investor visa, an auction would establish that price.

Overseas students: the impact on domestic student numbers

The rapid influx of international students into UK universities over the past two decades has expanded the number of places available for domestic postgraduates, according to research by Stephen Machin and Richard Murphy. Universities seem to use the extra fees from overseas students to subsidise domestic postgraduates.

Their study also finds that domestic undergraduate numbers have been unaffected. Strict quotas on the numbers of domestic undergraduates have probably impeded their growth.

Gone with the wind

Wind farms reduce house prices in postcodes where the turbines are visible, according to research by Steve Gibbons. Households are willing to pay £1,000 a year to avoid a large wind farm visible within 2km.

His study notes that wind turbines are generally popular as a source of green energy but they face considerable opposition from the people who have to live near them. He uses local property markets as a way to value the visual impact of ‘wind farms’ and finds significant negative effects on house prices in postcodes where the turbines are visible.

Policy for better mental health

Treating mental illness should be a top national priority, especially as proven psychological therapies effectively cost nothing. That is the key message of Thrive: The Power of Evidence-Based Psychological Therapies, the new book co-authored by CEP’s founder director Richard Layard.

He explains how CEP research has led to a new deal for mental health – but much remains to be done. Mental illness has much greater economic costs than physical illness – but evidence-based ways of treating mental health problems have no net cost to the Exchequer.

ENDS

Notes for Editors:

1. CentrePiece is the magazine of the Centre for Economic Performance. It is published three times a year. The Autumn 2014 issue is Volume 19, Issue 2. Cover price £5; subscription rates on application to +44 (0)20 7955 6648.

2. The Centre for Economic Performance is an independent ESRC funded research centre based at the London School of Economics and Political Science. Its members are from the LSE and a wide range of universities within the UK and around the world.

3. For more information contact Romesh Vaitilingam on Email: romesh@vaitilingam.com or Helen Durrant on Email: h.durrant@lse.ac.uk.