

Does Regional Diversity Matter? Spatial Spillovers and Complementarity in Regional Wellbeing

In pursuit of liveability, policymakers increasingly rely on wellbeing reports, surveys, and composite indices to monitor progress toward becoming desirable places to live. These instruments typically focus on the overall level of wellbeing within a region (e.g., life satisfaction) and on local sources of wellbeing such as health, housing, and the environment. Yet regions do not exist in isolation: residents may benefit from wellbeing resources in neighbouring regions or suffer from negative externalities. While spatial spillovers are well established in regional science, wellbeing monitoring frameworks largely treat neighbouring regions as benchmarks for comparison rather than as contributors to wellbeing itself. Ignoring these interdependencies may lead to suboptimal policy decisions in which regions attempt to optimise all domains internally instead of considering complementarity. For example, an urban municipality with limited green space may achieve higher life satisfaction when located next to a rural municipality rich in environmental amenities than when surrounded by similarly dense urban areas. This raises the question: does the diversity of sources of wellbeing across neighbouring regions enhance overall wellbeing?

This paper examines the spatial interdependence of wellbeing across Dutch municipalities using the Dutch “broad prosperity” framework, which comprises seven wellbeing domains. We estimate domain-specific spillovers using a Spatial Durbin Model, allowing us to decompose life satisfaction into contributions arising from local conditions and from neighbouring municipalities. We further construct a domain-based dissimilarity index to assess whether variation in neighbouring municipalities’ wellbeing profiles is associated with higher life satisfaction outcomes.