

ESCUELA DE VERANO 2017

Salón: PTE

Fechas: 20 de junio al 7 de julio (No incluye clases los sábados ni los días 28 ni 29 de junio)

Horario: 7:00 am a 10:00 am

Curso en Ingles

Programa sujeto a cambios

OBJETIVO

This course will provide a broad introduction to contemporary urban economics, spanning a wide range of topics including agglomeration and the benefits from cities, the various “demons of density” including housing scarcity and traffic congestion, the exploration of urban structure and land use, the role of amenities, the drivers of the growth of cities, and the interactions within a systems of cities. This course will balance theory and empirics and will seek to integrate them. The course will part particular attention to cities in developing countries, including Colombia.

1. This course hopes to achieve several objectives:

- Provide you with substantive knowledge about the economics of cities and regions.
- Foster your technical knowledge about a number of modelling aspects in urban economics, applied econometrics techniques, and the links between the two.
- Make you think critically (and hopefully creatively) about existing urban economics research.

2. The course builds on standard microeconomic theory (adapted to the complications introduced by space) and applied econometrics. Familiarity with advanced microeconomics and empirical methods will be assumed. Given the range of problems that urban and regional economists face, no single empirical approach is expected to fully dominate.

Prerequisites: Advanced microeconomic theory, econometrics (ideally, advanced econometrics).

TENTATIVE SCHEDULE OF CLASSES (MORE DETAILS CAN BE FOUND BELOW):

June 20 (T) 1. *Urbanization and Economic Development in Historical Perspective* (Remi Jedwab)

June 21 (W) 2. *The Determinants of Urbanization without Growth* (Remi Jedwab)

June 22. (R) 3. *The Economics of Slums* (Remi Jedwab)
 June 23 (F) 4. *Agglomeration: Theory* (Remi Jedwab)
 June 26 (M) Bank holiday.
 June 27 (T) 5. *Agglomeration: Empirics* (Remi Jedwab)
 June 28 (W). No class.
 June 29 (R). No class.
 June 30 (F) 6. *Dispersion: Theory* (Gilles Duranton).
 July 3 (M). Bank holiday
 July 4 (T) 7. *Dispersion: Empirics* (Gilles Duranton)
 July 5 (W) 8. *Local Labour Supply and Amenities: Theory and Empirics* (Gilles Duranton)
 July 6 (R) 9. *System of Cities and Urban Growth* (Gilles Duranton)
 July 7 (F) 10. *Urban Economics in Colombia* (Gilles Duranton)
 Week of July 10-14 Exam.

SYLLABUS

We list below the topics and research papers that may be discussed in class. Please note that this schedule is tentative and may be subject to change.

1. Urbanization and Economic Development in Historical Perspective (Remi Jedwab)

Topics: Measurement, urbanization and economic development, pre-industrial cities, urbanization during the Industrial Revolution, urbanization without growth in developing countries

Fay, Marianne and Charlotte Opal, “Urbanization without growth: a not-so-uncommon phenomenon,” Policy Research Working Paper 2412, The World Bank August 2000.

Remi Jedwab and Dietrich Vollrath. 2016. Urbanization without Growth in Historical Perspective. Explorations in Economic History.

Glaeser, Edward L., “A World of Cities: The Causes and Consequences of Urbanization in Poorer Countries,” Journal of the European Economic Association, 2014, 12 (5), 1154–1199.

Desmet, Klaus and J Vernon Henderson, “The Geography of Development within Countries,” CEPR Discussion Papers 10150, C.E.P.R. Discussion Papers September 2014.

Brueckner, Jan K. and Somik V. Lall, “Cities in Developing Countries,” in “in,” Vol. 5, Elsevier, 2015, chapter Chapter 21, pp. 1399–1455.

- Briant, Anthony, Pierre-Philippe Combes, and Miren Lafourcade. 2010. Does the size and shape of geographical units jeopardize economic geography estimations? *Journal of Urban Economics* 67(3):287–302.

- Burchfield, Marcy, Henry G. Overman, Diego Puga, and Matthew A. Turner. 2006. Causes of sprawl: A portrait from space. *Quarterly Journal of Economics* 121(2): 587–633.

- Henderson, Vernon, Adam Storeygard, and David N. Weil. 2012. Measuring economic growth from outer space. *American Economic Review* 102(2), 994-1028.

- Rozenfeld, Hernán D., Diego Rybski, Xavier Gabaix, and Hernán A. Maske. 2011. The area and population of cities: New insights from a different perspective on cities. *American Economic Review* 111(5), 2205-2225.

2. The Determinants of Urbanization without Growth (Remi Jedwab)

Topics: Urban-bias policies, rural poverty, role of natural resource exports, roles of fertility, mortality, natural increase and population growth, role of urban technologies and preferences.

Chauvin, Juan Pablo, Edward Glaeser, Yueran Ma, and Kristina Tobio, “What is different about urbanization in rich and poor countries? Cities in Brazil, China, India and the United States,” *Journal of Urban Economics*, 2016, pp. –.

Au, Chun-Chung and J. Vernon Henderson, “Are Chinese Cities Too Small?,” *Review of Economic Studies*, 2006, 73 (3), 549–576.

Alberto F. Ades and Edward L. Glaeser. 1995. Trade and Circuses: Explaining Urban Giants. *The Quarterly Journal of Economics*, 1995, vol. 110, issue 1, pages 195-227

Davis, James C. and J. Vernon Henderson, “Evidence on the Political Economy of the Urbanization Process,” *Journal of Urban Economics*, January 2003, 53 (1), 98–125.

Henderson, J. Vernon, Adam Storeygard, and Uwe Deichmann, “Has climate change driven urbanization in Africa?,” *Journal of Development Economics*, 2016, pp.

Douglas Gollin, Remi Jedwab and Dietrich Vollrath. 2016. Urbanization without Industrialization. *Journal of Economic Growth*.

Remi Jedwab, Luc Christiaensen, and Marina Gindelsky, “Demography, urbanization and development: Rural push, urban pull and urban push?,” *Journal of Urban Economics*, 2015, pp. –

Remi Jedwab, Prakash Loungani and Anthony Yezer, “Urban Technological Change and Urbanization” *Mimeo*

Desmet, Klaus and Esteban Rossi-Hansberg, “Urban Accounting and Welfare,” *American Economic Review*, October 2013, 103 (6), 2296–2327. and , “Analyzing Urban Systems : Have Megacities Become too Large?,” *Policy Research Working Paper Series 6872*, The World Bank May 2014.

3. The Economics of Slums (Remi Jedwab)

Topics: Characteristics of housing markets in developing countries, price elasticity of housing supply, price and income elasticities of housing demand, regulations and other institutional constraints, roles of population growth and urban technologies, economic effects of slums.

Remi Jedwab and Dietrich Vollrath. 2016. The Urban Mortality Transition and Poor Country Urbanization. *Explorations in Economic History*.

Malpezzi, Stephen and Stephen K. Mayo, "Getting Housing Incentives Right: A Case Study of the Effects of Regulation, Taxes, and Subsidies on Housing Supply in Malaysia," *Land Economics*, 1997, 73 (3), 372–391.

Lall, Somik V., Hyoung Gun Wang, and Daniel Da Mata, "Do Urban Land Regulations Influence Slum Formation? Evidence From Brazilian Cities," Technical Report 2007.

Harari, Nina. "Cities in Bad Shape: Urban Geometry in India" Mimeo.

Henderson, J. Vernon, Tanner Regan, and Anthony J. Venables, "Building the City: Sunk Capital, Sequencing and Institutional Frictions," SERC Discussion Papers 0196 April 2016

Benjamin Marx & Thomas Stoker & Tavneet Suri, 2013. "The Economics of Slums in the Developing World," *Journal of Economic Perspectives*, American Economic Association, vol. 27(4), pages 187-210, Fall.

4. Agglomeration: Theory (Remi Jedwab)

+ Duranton, Gilles and Diego Puga. 2004. Micro-foundations of urban agglomeration economies. In Vernon Henderson and Jacques-François Thisse (eds.) *Handbook of Regional and Urban Economics*, volume 4. Amsterdam: North-Holland, 2063–2117.

5. Agglomeration: Empirics (Remi Jedwab)

+ Combes, Pierre- Philippe and Laurent Gobillon. 2014. The empirics of agglomeration economies. In Gilles Duranton, J. Vernon Henderson, and William C. Strange (eds.) *Handbook of Regional and Urban Economics*, volume 5. Amsterdam: North-Holland, forthcoming. (available at <http://real.wharton.upenn.edu/~duranton/handbook.html>)

IV:

- Arzaghi Mohammad, and J. Vernon Henderson. 2008. Networking off Madison Avenue. *Review of Economic Studies* 75(4), 1011-1038.

- Combes, Pierre- Philippe, Gilles Duranton, Laurent Gobillon, and Sébastien Roux. 2010. Estimating agglomeration economies with history, geology, and worker effects. In Edward L. Glaeser (ed.) *The Economics of Agglomeration*. Cambridge (mass.): National Bureau of Economic Research, 15–65.

- Moretti, Enrico. 2004. Workers' education, spillovers, and productivity: Evidence from plant-level production functions. *American Economic Review* 94(3), 656-690

- Rosenthal, Stuart S. and William C. Strange. 2008. The attenuation of human capital spillovers. *Journal of Urban Economics* 64(2):373–389.

Quasi-Experiments:

- Andersson, Roland, John M. Quigley, and Mats Wilhelmsson. 2009. Urbanization, productivity, and innovation: Evidence from investment in higher education. *Journal of Urban Economics* 66(1):2–15.
- + Greenstone, Michael, Richard Hornbeck, and Enrico Moretti. 2010. Identifying agglomeration spillovers: Evidence from winners and losers of large plants openings. *Journal of Political Economy* 118(3):536–598.
- Redding, Stephen J. and Daniel M. Sturm. 2008. The costs of remoteness: Evidence from German division and reunification. *American Economic Review* 98(5):1766–1797.

Structural:

- + Ahlfeldt Gabriel M, Stephen J. Redding, Daniel M. Sturm and Nikolaus Wolf. 2014. The economics of density: Evidence from the Berlin Wall. Processed, London School of Economics.
- Baum-Snow, Nathaniel and Ronni Pavan. 2010. Understanding the city size wage gap. *Review of Economic Studies* 79(1): 88-127.
- Holmes, Thomas J. 2011. The diffusion of Wal-Mart and economies of density. *Econometrica* 79(1): 253-302.

Identifying the sources of agglomeration:

- Combes, Pierre- Philippe, Gilles Duranton, Laurent Gobillon, Diego Puga and Sébastien Roux. 2012. The Productivity Advantages of Large Cities: Distinguishing Agglomeration from Firm Selection. *Econometrica* 80(6): 2543-2594.
- + De la Roca, Jorge and Diego Puga. 2014. Learning by working in big cities. Processed, CEMFI.
- Ellison, Glenn, Edward L. Glaeser, and William R. Kerr. 2010. What causes industry agglomeration? Evidence from coagglomeration patterns. *American Economic Review* 100(3):1195–1213.

Background papers:

- Baum-Snow, Nathaniel, and Fernando Ferreira. 2014. Causal inference in urban economics. In Gilles Duranton, J. Vernon Henderson, and William C. Strange (eds.) *Handbook of Regional and Urban Economics*, volume 5. Amsterdam: North-Holland, forthcoming. (available at <http://real.wharton.upenn.edu/~duranton/handbook.html>)
- Holmes, Thomas J. 2010. Structural, experimentalist, and descriptive approaches to empirical work in regional economics. *Journal of Regional Science* 50(1):5–22.
- Puga, Diego. 2010. The magnitude and causes of agglomeration economies. *Journal of Regional Science* 50(1):203–219.

6. Dispersion: Theory (Gilles Duranton).

- + Duranton, Gilles, and Diego Puga. 2014. Urban land use (section 2-5). In Gilles Duranton, J. Vernon Henderson, and William C. Strange (eds.) *Handbook of Regional and Urban Economics*, volume 5.

Amsterdam: North-Holland, forthcoming. (available at <http://real.wharton.upenn.edu/~duranton/handbook.html>)

- Zenou, Yves. 2006a and b. Urban Economics. Mimeographed.

7. Dispersion: Empirics (Gilles Duranton)

+ Duranton, Gilles, and Diego Puga. 2014. Urban land use (section 6-9). In Gilles Duranton, J. Vernon Henderson, and William C. Strange (eds.) *Handbook of Regional and Urban Economics*, volume 5. Amsterdam: North-Holland, forthcoming. (available at <http://real.wharton.upenn.edu/~duranton/handbook.html>)

- Albouy, David and Gabriel Ehrlich. 2014. The distribution of urban land values: evidence from market transactions. Processed, University of Illinois at Urbana Champaign

- Burchfield, Marcy, Henry G. Overman, Diego Puga, and Matthew A. Turner. 2006. Causes of sprawl: A portrait from space. *Quarterly Journal of Economics* 121(2): 587–633. (available at http://real.wharton.upenn.edu/~duranton/Duranton_Papers/Current_Research/UrbanCosts.pdf)

- Combes, Pierre-Philippe, Gilles Duranton, and Laurent Gobillon. 2017. The costs of agglomeration: House and land prices in French cities. Processed, University of Pennsylvania.

- Couture, Victor, and Jessie Handbury. 2017. Urban revival in America, 2000 to 2010. Processed, University of Pennsylvania.

- Glaeser, Edward L., and Matthew E. Kahn. 2001. Decentralized Employment and the Transformation of the American City. *Brookings/Wharton Papers on Urban Affairs* 2(0): 1-63.

- Handbury, Jessie and David E. Weinstein. 2015. Goods Prices and Availability in Cities. *Review of Economic Studies* 82(1), 258-296, .

- Harrari, Mariaflavia. 2014. Cities in bad shape: urban geometry in India. Processed, University of Pennsylvania.

8. Local Labour Supply and Amenities: Theory and Empirics (Gilles Duranton)

1) Theory

+ Duranton, Gilles and Diego Puga. 2014. The growth of cities (sections 2-4, and 6). In Philippe Aghion and Steven N. Durlauf (eds.) *Handbook of Economic Growth*, volume 2B. Amsterdam: North-Holland, 781–853.

- Glaeser, Edward L. and Joshua D. Gottlieb. 2009. The wealth of cities: Agglomeration economies and spatial equilibrium in the United States. *Journal of Economic Literature* 47(4):983–1028.

+ Moretti, Enrico. 2011. Local labor markets. In Orley Ashenfelter and David Card (eds.) *Handbook of Labor Economics*, volume 4. Amsterdam: North-Holland. 1237-1313.

- Kline, Patrick and Enrico Moretti. 2014. People, places and public policy: some simple welfare economics of local economic development programs. *Annual Review of Economics* 6(0), 629-662.

- Background

- Roback, Jennifer. 1982. Wages, rents and the quality of life. *Journal of Political Economy* 90(6):1257–1278.

2) Empirics

- Albouy, David. 2012. Are big cities really bad places to live? Improving quality-of-life estimates across cities. Mimeographed, University of Michigan.

- Beaudry, Paul, Green, David A., and Sand, Ben. 2014. Spatial equilibrium with unemployment and wage bargaining: Theory and estimation. *Journal of Urban Economics* 79(0), 2–19.

- Diamond, Rebecca. 2016. The determinants and welfare implications of US workers diverging location choices by skill: 1980-2000. *American Economic Review*, 106(3): 479-524.

- Ganong, Peter and Daniel Shoag. 2016. Why has regional income convergence in the U.S. stopped? Processed, Kennedy School of Government, Harvard University.

- Lee, Sanghoon and Jeffrey Lin. 2014. Natural amenities, neighborhood dynamics, and persistence in the spatial distribution of income. Processed, Federal Reserve Bank of Philadelphia.

- Rappaport, Jordan. 2004. Moving to nice weather. *Regional Science and Urban Economics* 37(3): 375–398.

- Background

- Blanchard, Olivier Jean and Lawrence F. Katz. 1992. Regional Evolutions. *Brookings Papers on Economic Activity* 0(1): 1–61.

9. System of Cities and Urban Growth (Gilles Duranton)

+ Behrens, Kristian, and Frédéric Robert-Nicoud, 2014. Agglomeration theory with heterogeneous agents. In Gilles Duranton, J. Vernon Henderson, and William C. Strange (eds.) *Handbook of Regional and Urban Economics*, volume 5. Amsterdam: North-Holland, forthcoming. (available at <http://real.wharton.upenn.edu/~duranton/handbook.html>)

+ Duranton, Gilles and Diego Puga. 2014. The growth of cities (sections 5 and 7). In Philippe Aghion and Steven N. Durlauf (eds.) *Handbook of Economic Growth*, volume 2B. Amsterdam: North-Holland, 781–853.

- Au, Chun-Chung and J. Vernon Henderson. 2006. Are Chinese cities too small? *Review of Economic Studies* 73(3):549–576.

- Behrens, Kristian, Giordano Mion, Yasusada Murata and Jens Suedekum. 2013. Spatial Frictions. Process, UQAM.

- Desmet, Klaus, and Esteban Rossi-Hansberg. 2013. Urban accounting and welfare. *American Economic Review* 103(6), 2296-2327.

Background

- Henderson, Vernon, and Randy Becker. 2000. Political economy of city sizes and formation. *Journal of Urban Economics* 48(3): 453–484.

- Duranton, Gilles and Diego Puga. 2000. Diversity and specialisation in cities: Why, where and when does it matter? *Urban Studies* 37(3): 533–555.

Beyond that, we will have more freedom. Here is a list of themes that can be extended and amended.

10. Urban Economics in Colombia (Gilles Duranton)

- Akbar, Prottoy A. and Gilles Duranton. 2017. Measuring the cost of congestion in a highly congested city: Bogotá. Processed, University of Pennsylvania.

- Duranton, Gilles. 2015. A proposal to delineate metropolitan areas in Colombia. *Economia & Desarrollo*, 75(0), 169-210.

- Duranton, Gilles. 2015. Roads and Trade in Colombia. *Economics of Transportation*, 4(1), 16-36.

- Duranton, Gilles. 2016. Agglomeration effects in Colombia. *Journal of Regional Science*, 56(2), 210-238.

- Duranton, Gilles. 2016. Determinants of city growth in Colombia. *Papers in Regional Science*, 95(1), 101-132.

- Samad, Taimur, Nancy Lozano-Gracia, and Alexandra Panman. 2012. *Colombia Urbanization Review. Amplifying the Gains from the Urban Transition*. Washington (DC): World Bank.

EVALUACIÓN

- One comprehensive take-home exam (66.6%) due Sunday 16 July.

The student will be asked specific questions about research papers discussed in class and other papers in the urban economics literature. The student will have one week to answer these questions, using the course materials as well as her own research on the topics.

- One critical evaluation of a research paper (33.3%) due Sunday 16 July.

Each referee report should be at least 2-3 pages. The report should start off with a brief 1-2 paragraph summary of the main point of the article. You should describe your main 3-4 points in detail as if you were writing directly to the author. Conclude the report with more minor comments. A good critical evaluation of a research paper not only clearly states the shortcomings of the work, but also lays out detailed (and realistic) suggestions for improvement. A copy of the research paper will be given to the students on the first day of class (June 20).

FECHA DE RETIRO

The student may withdraw the course, without refund, up to one business day before the date of the final test stipulated by the teacher. The University will not return the money for tuition payed for these summer courses.