

Recent Advances in Urban Economics

Instructor: Pierre-Philippe Combes, University of Lyon and Sciences Po. ppcombes@gmail.com.

Attendees: Phd students in urban and regional economics but also in related domains as the course's purpose is both to provide a general picture of current research in urban and regional economics and more generally to enter a number of issues, and their solutions, that arise when using data with spatial variations. Prerequisites are mild and standard for PhD students in economics, covering both standard microeconomics and applied econometrics.

Dates, timing ,and place: Week 15 (16 – 20 April) 2018, seven 2h-slots, University of Oslo.

Material: Full version of the slides (250+) circulated before the lectures in original and printable format. Reference list of background papers provided.

Evaluation: 8-page (max) essay summarising, criticising, and proposing extensions to one recent research paper among a list provided.

Outline: The general objective of the course is to present recent empirical research about the evaluation of the gains and costs of spatial agglomeration. The course starts by recalling a number of facts about spatial disparities and their evolution, the questions tackled in the field, and some specific features of spatial data. Then, the course is divided in two parts.

Part I is about the evaluation of the gains from agglomeration. Most of it deals with the estimation of productivity gains, from the theoretical foundations of estimated specifications to the solutions of a number of econometric concerns (dealing with spatial sorting and endogenous location choices in particular). Magnitudes generally obtained are presented. Other approaches to quantify agglomeration gains are then more rapidly summarised.

Part II is about the overall assessment of spatial disparities. A Roback's framework that serves as background for all contributions discussed in this part is presented. A theory-grounded strategy to evaluate the magnitude of housing costs is detailed first. Then one turns to the evaluation of the balance between gains and costs to agglomeration, and finally, to the value of urban amenities and of the love of diversity in consumption.

Introduction: Trends in spatial disparities and course overview.

- 1 The emergence of spatial disparities.
- 2 What covers Urban and Regional Economics.
- 3 Spatial data and the measurement of spatial concentration.

Part I: The empirics of agglomeration economies.

- 1 Mechanisms and corresponding specifications.
- 2 Estimation issues.
- 3 Magnitudes.
- 4 Outcomes other than productivity.

Part II: The empirics of overall urban disparities.

- 1 From theory to estimation.
- 2 Housing costs and land prices.
- 3 Real wage disparities and amenities value.
- 4 The love of goods diversity.

References

Part I is based on the following Handbook chapter:

Combes, Pierre-Philippe and Gobillon, Laurent. The empirics of agglomeration economies. In Duranton, Gilles, Henderson, Vernon, and Strange, Will, editors, *Handbook of Urban and Regional Economics*, volume 5A. North-Holland, Amsterdam, pp. 247-348, 2015.

Supplementary references are:

- Baum-Snow, Nathaniel and Pavan, Ronni. Understanding the city size wage gap. *Review of Economic Studies*, 79(1):88-127, 2012.
- Combes, Pierre-Philippe, Démurger, Sylvie, Li, Shi, and Wang Jianguo. Unequal Productivity Gains in Urban China. Mimeograph, 2018.
- Combes, P.-P., G. Duranton, and L. Gobillon. Spatial wage disparities: Sorting matters! *Journal of Urban Economics* 63: 723–42, 2008..
- Combes, Pierre-Philippe, Duranton, Gilles, Gobillon, Laurent, and Roux, Sébastien. Estimating agglomeration effects with history, geology, and worker fixed-effects. In Glaeser, Edward L., editor, *Agglomeration Economics*, pages 15-65. Chicago University Press, Chicago, 2010.
- Combes, Pierre-Philippe, Duranton, Gilles, Gobillon, Laurent, Puga, Diego, and Roux, Sébastien. The productivity advantages of large markets: Distinguishing agglomeration from firm selection. *Econometrica*, 80(6): 2543-2594, 2012.
- D'Costa, S. and Overman, H. (2014), The urban wage growth premium: Sorting or learning?, *Regional Science and Urban Economics* 48, 168-179.
- De la Roca, Jorge and Puga, Diego. Learning by working in big cities. *Review of Economic Studies*, 84(1):106-142, 2017.
- Glaeser, E. L., and D. C. Maré. Cities and skills. *Journal of Labor Economics* 19: 316–42, 2001.
- Gould, Eric. Cities, workers, and wages: A structural analysis of the urban wage premium. *Review of Economic Studies*, 74: 477-506, 2007.
- Greenstone, Michael, Hornbeck, Richard, and Moretti, Enrico. Identifying agglomeration spillovers: Evidence from winners and losers of large plants openings. *Journal of Political Economy*, 118(3): 536-598, 2010.

Part II is based on the following papers:

- Albouy, D.. Are big cities really bad places to live? Improving quality-of-life estimates across cities. Working Paper 14472, National Bureau of Economic Research, 2008 revised 2012.
- Combes, P.-P., Duranton, G., Gobillon, L.. The Costs of Agglomeration: House and Land Prices in French Cities, CEPR Working Paper 9240 2009 revised 2018.
- Handbury, J.. Are poor cities cheap for everyone? Non-homotheticity and the cost of living across US cities. Mimeograph, Wharton University, 2013.
- Handbury, J. and D. Weinstein, 2015. Goods prices and availability in cities. *Review of Economic Studies*, 82(1): 258-296.
- Moretti, E., 2013. Real wage inequality, *American Economic Journal: Applied Economics* 5(1): 65-103.