

Urban Economics - Pierre-Philippe Combes

24h course at Sciences Po

The first part of the course is devoted to economic intuition about the determinants of countries' urban structure. This will typically answer the following questions.

Why do cities exist and induce an uneven spatial distribution of land and goods prices?

How can cities of different size co-exist within integrated economic areas?

What is the impact of people and goods mobility on spatial concentration?

What is the role of local public policies and of land use regulation on spatial disparities?

The second part of the course moves to the empirical studies that evaluate the gains and costs from agglomeration. A special emphasis is put on the impact on spatial disparities of individual location choices by workers and firms that are heterogeneous (in terms of productivity for instance). Specifically, the spatial determinants of local productivity, R&D, land and housing prices, and real income are presented.

Course outline

1 Introduction: Trends in spatial disparities and course overview.

- 1-1 Course organization.
- 1-2 The emergence of spatial disparities.
- 1-3 What is Urban and Regional Economics.

2 Why do cities exist? A review of agglomeration mechanisms.

- 2-1 Internal increasing returns to scale versus trade costs.
- 2-2 Sharing externalities.
- 2-3 Matching externalities.
- 2-3 Learning externalities.

3 Why are land prices higher in city centres? The monocentric city model.

- 3-1 The monocentric city model.
- 3-2 The monocentric city model with housing production.
- 3-2 Extending the monocentric city model.

4 How can large and smaller cities co-exist? Mobility, trade, and systems of cities.

- 4-1 Optimal and equilibrium city size.
- 4-2 Spatial equilibrium with many cities.
- 4-3 Agglomeration and trade.

5 The empirics of agglomeration economies.

- 5.1 Measuring spatial concentration.
- 5.2 Determinants of local productivity.
- 5.3 Knowledge spillovers.

6 The empirics of overall urban disparities.

- 6.1 From theory to estimation.
- 6.2 Housing costs and land prices.
- 6.3 Real wage disparities and amenities value.
- 6.4 The love of goods diversity.

Preliminary list of references

Chapter 1

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- McMillen, D. and J. McDonald, 2011. *Urban Economics and Real Estate; Theory and Policy* (ch. 1 and 2), 2nd ed. Wiley.
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Chapter 2

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Chapter 3

- Fujita, M., 1990. *Urban Economic Theory: Land Use and City Size* (ch. 2, 3, 4), Cambridge University Press.
- Fujita, M. and J.-F. Thisse, Jacques-François. *Economics of Agglomeration: Cities, Industrial Location, and Globalization*. Cambridge University Press, Cambridge, 2013.

Chapter 4

- Combes, P.-P., G. Duranton, and H. Overman, 2005. Agglomeration and the adjustment of the spatial economy, *Papers in Regional Science*, 84(3), 311-349.
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Chapter 5

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Chapter 6

- Albouy, D., 2008. Are big cities really bad places to live? Improving quality-of-life estimates across cities. Working Paper 14472, National Bureau of Economic Research.
- Combes, P.-P., Duranton, G., Gobillon, L., 2012. The Costs of Agglomeration: House and Land Prices in French Cities, CEPR Working Paper 9240.
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- Moretti, E., 2013. Real wage inequality, *American Economic Journal: Applied Economics* 5(1): 65-103.