Advanced Urban Economics (14 hours)

by Yves Zenou (Stockholm University)

General description

**Urban Economics** is the economic study of urban areas. As such, it involves using the tools of economics to analyze urban issues such as crime, education, public transit, housing, and local government finance. More narrowly, it is a branch of **microeconomics** that studies urban spatial structure and the location of households and firms. Much urban economic analysis relies on a particular model of urban spatial structure, the monocentric city model pioneered in the 1960s by William Alonso, Richard Muth, and Edwin Mills. While most other forms of neoclassical economics do not account for spatial relationships between individuals and organizations, urban economics focuses on these spatial relationships to understand the economic motivations underlying the formation, functioning, and development of cities.

Since its formulation in 1964, William Alonso's monocentric city model of a disc-shaped Central Business District (CBD) and surrounding residential region has served as a starting point for urban economic analysis. Monocentricity has become weaker over time due changes in technology, particularly due to faster and cheaper transportation (which makes it possible for commuters to live farther from their jobs in the CBD) and communications (which allow back-office operations to move out of the CBD). Additionally, recent research has sought to explain the polycentricity described in Joel Garreau's *Edge City*. Several explanations for polycentric expansion have been proposed and summarized in models that account for factors such as utility gains from lower average land rents and increasing (or constant returns) due to **economies of agglomeration**.
We will first expose the standard urban economic models, explaining how to calculate a bid rent function and how people locate in the city. We will then apply these tools to understand different economic problems such as agglomeration economics, urban unemployment, rural-urban migration, crime in cities, urban ghettos. We will, in particular, be able to explain why unemployment is unevenly distributed between and within cities, why creating urban jobs in developing countries can increase rather than decrease urban unemployment, why ethnic minorities live in segregated areas, experience very high unemployment rates and are overrepresented in criminal activities.

Each lecture will be accompanied by exercises and answers in order for the student to check his/her comprehension of the course.

**Description of the course**

**Lecture 1:** Stylized facts: Cities around the world

**Lecture 2:** The basic urban economics mode with identical agents.


**Lecture 3:** Optimality of the equilibrium allocation and comparative statics of the urban model.


**Lecture 4:** Agglomeration economics and city formation

**Readings:** Fujita and Thisse (2002).

**Lecture 5:** Urban labor economics

**Readings:** Zenou (2009)
Lecture 6: Urban ghettos, poverty and spatial mismatch


Lecture 7: Rural-urban migration


Bibliography


Economics of Crime: Theory (6 hours)

By Yves Zenou

Recent polls have shown that people regard crime as the number one social problem facing their nations. The fear of being a victim of violent crime, or having one’s property violated far outweighs that of being unemployed or suffering a loss of income. Yet until recently, the economics profession has had little to say about the root causes of criminal activity. Economists did not begin developing new models of criminal activity until about 25 years ago. The major breakthrough came from Gary Becker, an economist of the University of Chicago and now a Nobel laureate. In Becker's model, criminals are rational individuals acting in their own self-interest. In deciding to commit a crime, criminals weigh the expected costs against the expected benefits. The aim of this course is to present some theoretical aspects of the economic analysis of crime, which has the virtue of providing the rigorous quantitative and analytical framework needed to better understand the causes of crime, and its impact on people’s welfare and economic activity. Topics as diverse as the spatial aspects of crime, crime and corruption, social networks and crime or the impact of inequality and unemployment on crime will be studied. We will also study different policies aiming at reducing crime by focusing on key player policies. The latter argues that concentrating efforts by targeting “key criminals”, i.e. criminals who once removed generate the highest possible reduction in aggregate crime level in a network, can have large effects on crime because of the feedback effects or “social multipliers” at work

Lecture 1: Some stylized facts about crime.

Lecture 2: The benchmark model

Readings: Becker (1968)

Lecture 3: Crime and agglomeration: Why is there more crime in cities?

Readings: Glaeser et al, JPE; Gaigne and Zenou (2010).
Lecture 4: Why blacks are more criminals than whites?

Lecture 5: Crime and social interactions: Is crime contagious?
Readings: Glaeser, Sacerdote and Scheinkman (1996); Rogers and Zenou (2010).

Lecture 6: The role of social networks in criminal activities: Key player policies

Bibliography


Gaigne and Zenou (2010), Agglomeration and crime, Unpublished manuscript, Stockholm University.


