Special Issue : Emerging Trends in Urban Economics

Introduction

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I. Introduction

The field of urban economics has been growing as new sources of spatial data have become available and new researchers have joined the field. There have been impressive placements of junior academics working on urban topics at top departments over the past years. Established researchers from related fields such as environment, labour, and trade, have turned their attention to urban topics. As a result, urban economics research has expanded into new areas, often at the intersection with other subfields of economics.

The growth of the field has become apparent with the annual meetings of the Urban Economics Association. The quality and quantity of papers submitted and presented at the meetings have rapidly increased over the past decade. In order to document the dynamics of the field, we decided to put together a virtual special issue on ``emerging trends in urban economics'', drawing from the last two meetings that occurred in physical space before the Covid pandemic broke out: The 9th European Meeting of the Urban Economics Association hosted by the Vrije Universiteit Amsterdam and the 14th Meeting of the Urban Economics Association at the Federal Reserve Bank of Philadelphia. We drew on the excellent pool of papers presented at those meetings and the collective expertise of our excellent editorial board to identify papers that reflect the creativity and enthusiasm with which researchers in urban economics currently embrace new research topics and methods. Based on nominations of editors, co-editors, and associate editors, we invited selected authors to submit their papers to this special issue. The result is a set of articles that stand out in terms of originality and rigour and reflect the rising standards in urban economics which go hand in glove with the ambitions of *Regional Science and Urban Economics* as a leading outlet for research in this field.

Our invitations to authors were based on their novel contributions to emerging literatures in urban economics. We wished to represent the dynamics in the field in its great variety. It is perhaps no

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surprise that the outcome is a set of articles that contribute to literatures that are growing within RSUE and beyond.

II. Contributions to the special issue

Articles selected for publication in the special issue are related to transport, historical legacy, city development around the world and environment.

The traditional literature on transport and consequences of accessibility on individuals and urban development has expanded significantly. Theory has been able to account for richer systems of cities and places, and to study transitions between equilibria when there are changes in commuting and/or costs of shipping goods. Takayama, Ikeda and Thisse (2020) analyse the emergence of systems of cities around a circle when such costs are present. They show that a decrease in commuting and shipping costs can lead to a megapolis or specific hierarchies of cities. Seidel and Wickerath (2020) assess the effects of rush hours when commuting across places on the spatial allocation of jobs and workers, average labour productivity and the housing market. They show in particular that when congestion at rush hours is abolished, households move from low-density countryside to commuter belts of cities rather than from city centres to periphery.

Empirical literature on the effects of transport and proximity has flourished thanks to the availability of better-quality datasets with precise location. Studies cover a variety of topics. Trajkovski, Zabel and Schwartz (2021) quantify the effect of school buses on school decision using data on New York City public schools. They show that pupils are less likely to choose a school further from home. At the same time, school buses can alleviate the effect of distance. On a different note, Han, Schwartz and Elbel (2020) are interested in the effect of distance to fast foods on the incidence of child obesity among students living in public housing in New York City. Exploiting the within-development variations in distance to fast-food restaurants, they find that childhood obesity increases with proximity to fast foods. Finally, there has been an increasing number of investigations on the effect of proximity to amenities on the housing market. Thomas and Tian (2021) investigate the effect of marijuana dispensaries on housing prices in Washington State, exploiting the random allocation of marijuana retail licences. They show a negative effect of these dispensaries for dwellings located close, but this effect decreases with distance to dispensaries.

Until the 2000s, studies on the effects of historical legacy on current cities have been scarce due to the lack of proper data that have now become available. There have been many significant contributions showing how past development affects the existence and structure of current cities. The Regional Science and Urban Economics journal is celebrating this strand of research with the Special Issue Urban Economics and History. Interesting contributions were submitted by authors to the urban economic association conferences. Aaronson et al. (2021) study the effects of the 1930s Home Owners Loan Corporation (HOLC) redlining maps used for lending-risk assessment on current neighbourhood measures of socioeconomic status and economic opportunity from the Opportunity Atlas. Using cross-border approaches, they show that HOLC maps have an effect on current income-

related outcomes and modern credit scores. Zhou (2021) assesses to what extent historic district designation affects housing prices in Denver, Colorado. He shows that being in a historic district generates a sizable housing price premium after designation.

As with research into the history of cities, urban economics research on developing countries has been held back by limited availability of data for too long. New administrative data sets as well as ``big data'' are now playing a critical role in broadening the evidence base. Bacolod et al. (2021) provide an excellent example that some developing countries offer rich administrative data amendable to state-of-the-art identification strategies. They combine individual-level data sets on test scores by high school students and labour market outcomes by young graduates to study the sorting of worker across cities of different sizes upon labour market entry. They find that pre-labour market sorting of college graduates leads to the concentration of talent in big cities, an important insight that likely matters beyond developing-country contexts. Jedwab et al. (2021a) show that by combining data from various non-profit organizations, it is now possible to compile data sets covering large samples of cities around the world, including cities in developing countries. Concretely, they measure the level of development, the population, as well as the vertical and horizontal expansion for global set of cities since the mid-20th century. With this data set, they provide the new stylized fact that cities in developed countries are large because the expand vertically and horizontally, whereas cities in developing countries are large because they crowd in. Similarly, Jedwab et al. (2021b) use novel data covering a global cross-section of cities to document the new stylized fact that cities with higher dependency ratios - i.e. with more children and/or seniors per working-age adult - grow slower. Even though data availability has improved, there are still some parts of the world where fine-grained spatial data are not readily accessible. Here, ``big data'' can help. Indaco (2020) shows that social media provides useful information to predict GDP at high spatial resolutions. Adding geocoded Twitter data to the popular ``lights at night'' measure, significantly improves the accuracy of the GDP prediction, an important insight for a growing literature that uses predicted GDP proxies as dependent or independent variables.

Another important area of growth relevant to RSUE is the intersection of urban and environmental economics. Most of the world population lives, produces, and emits in cities. Many environmental externalities such as noise or pollution are spatial by nature. Understanding the positive and negative causes and effects of climate change, environmental degradation and related health risk requires a joint effort of environmental and urban economists. Speaking to the causes of environmental degradation, Borck and Schrauth (2021) provide causal evidence that population density has detrimental effects on air quality. This is an important contribution to a literature concerned with the costs and benefits of density in which productivity has attracted disproportionate attention, but other outcomes have remained under-researched. Speaking to the consequences of climate change, Meltzer et al. (2021) use Hurricane Sandy as a case in point to document how natural disasters pose a threat to urban amenities such as local retail services.

I. Conclusion

This virtual special issue shows that research in urban economics is more dynamic than ever, evolving around various new and growing research themes. Despite the recent pandemic, it is unlikely that

urbanization – at a global level – is going to come to a halt any time soon. As such, research into the causes and consequences of spatial concentration – which urban economics is all about – can only play an increasing role within economics for the foreseeable future. We encourage the researchers in our field to continue to embrace new research questions and methods with the same creativity and energy as the authors of the articles in this special issue.

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