The aim of this book is to study the links between urban economics and labor economics. Different models of urban labor economic theory are examined in the initial two parts of this book: first urban search-matching models (Part 1) and then urban efficiency wages (Part 2). In Part 3, we apply these models to analyze urban ghettos and their consequences for ethnic minorities in the labor market. Professor Zenou first provides different mechanisms for the so-called spatial mismatch hypothesis, which postulates that housing discrimination introduces a key frictional factor that prevents minorities from improving access to job opportunities by relocating their residences closer to jobs. He then explores social networks, which tend to be affected by spatial factors, as workers who are physically close to jobs can be socially far away from them. Based on these models, the author offers different policies aiming at fighting high unemployment rates experienced by ethnic minorities residing in segregated areas.

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Urban Labor Economics

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Till Tina, Julie, Emma och Oliver
Tack för er kärlek
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Preface and Acknowledgments

The intended reader of this text is typically a last-year undergraduate, a graduate student in economics, or a researcher. People in connected fields (sociology, geography, urban planning, regional science, transportation, etc.) as well as policy makers with some background in economics should also be interested, especially in the last part of the book. Indeed, the techniques used in this book are not complicated and are now quite standard, and the main requirement is to be interested in the issues and have a good ability to use simple models and algebraic manipulations. I have homogenized the different models and the different chapters of this book by using the same notations and the same type of approach throughout. So the reading should be quite smooth. I have also included various appendices, which should help the reader understand the different chapters.

This book is the outcome of my research, which started twenty years ago. It has thus been a long time in the making. In August 1987, when I finished my master's degree in economics and econometrics at Université de Paris 10 (Nanterre), I was looking for a possible dissertation topic for a PhD. I had the chance to meet Gerard Ballot, professor at Université Pantheon-Assas (Paris 2), who suggested that the analysis of spatial labor markets could be an interesting and challenging topic. I decided to embark on this journey, having for sole reference the seminal paper of Harris and Todaro published in *American Economic Review* in 1970. In my dissertation, I studied the spatial aspects of labor markets, from both a theoretical and empirical perspective. I then met Jacques Thisse, professor at CORE in Belgium, who really taught me how to do research. My intellectual debt to him is immense. We wrote several articles together on the theory of local labor markets, some of which are included in this book. Jacques introduced me to Masahisa Fujita and
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Tony E. Smith, the leaders of the regional science group at the University of Pennsylvania. As a junior researcher, working in 1995 with Masa and Jacques, two well-established urban economists, was a very challenging experience for me. I learned a great deal from this collaboration. My meeting with Tony E. Smith was also decisive. He taught me about the rigor of mathematics and how to prove theorems. Simplicity, kindness, and complexity are certainly good ways of describing Tony. At that time, I also worked with Marcus Berliant, who taught me mathematical tools I had never heard of before, such as differential topology. Diving into the world of general equilibrium, with its infinite dimensions and manifolds, was a very important experience. It helped me understand how a general equilibrium is calculated and how one proves its existence and uniqueness. I then collaborated with Jan K. Brueckner, who helped me fathom how to write simple models in order to capture complex economic situations. After having had these different mentors, I was able to work on my own and collaborate with younger researchers.

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