Lectures on Urban Economics. JAN K. BRUECKNER. Cambridge, MA: The MIT Press, 2011. Pp.x,285, $35.00.

The New Urban Economics of Richard Muth, William Alonso and Edwin Mills is now passing the half century mark. In the 1960s and 1970s, the hallmark of the New Urban Economics was its sophisticated mathematics and economic theory that distinguished it from the old urban economics which dealt with real estate, policy issues and urban institutions.[1] By the 1980s, the mathematics diluted for consumption by students with only a principles of economics background, the New Urban Economics became part of the canon of applied microeconomics courses available to undergraduates as electives. Professor Brueckner's lectures are the twenty first century undergraduate variant of this "new" urban economics. Rather than commentary on the state of urban economics from the perspective of his lengthy career in the discipline, these lectures are intended for use as an undergraduate text, complete with back-of-the-book exercises.

From its inception, the New Urban Economics reflected its theoretical dependence on economic growth theory. The aggregate growth theory of the 1960s, examining economic behavior over time, closely resembled the urban economics of the 1970s, examining economic behavior over space.[2] That parallel continued as economic growth theory evolved in the 1980s to incorporate endogenous growth. The New Economic Geography, which embraced endogenous growth theory, has given rise to a new, new urban economics.[3] While noting the rise of New Economic Geography, Brueckner comments upon it only in passing, as an area of research apart from his own academic interests.

The knowledge spillovers and other agglomeration economies central to the New Economic Geography are discussed briefly in Brueckner's first chapter, explaining why cities exist. The intimacy of urban professional and social life put knowledge "in the air", in Alfred Marshall's phrase, for use by all.[4] Such agglomeration economies reduce costs and improve technology. These external efficiencies, together with internal scale economies and transport cost efficiencies make the spatial concentration of economic activity attractive. Transportation costs and the location of natural resources, in turn, influence the relative size and placement of the resulting cities.

In chapter two, Brueckner constructs the standard urban model, based on the New Urban Economics of Alonso, Muth and Mills. With a host of simplifying assumptions, the traditional radial city model emerges: tall buildings at the center diminishing in size as the city eventually gives way to the agricultural perimeter surrounding it. Within the urban area producers and consumers distribute themselves in a perfectly competitive effort to maximize profits and utility. Assuming away business location decisions, the chapter marshals budget constraints, utility functions and other familiar fixtures of undergraduate economic theory to analyze in depth the production and consumption of housing. Altering household income, agricultural rents and other variables generate realistic intercity predictions. Further alterations to the basic model are offered in the following chapter. When rich households are distinguished from poor households, the rich live in the suburbs while the poor concentrate in the city center. But when the value of time lost to commuting is taken into consideration, it is no longer clear how the rich and poor distribute themselves. Even the clear predictions of tall buildings at the city's center tapering to short buildings at the periphery is tempered when housing is allowed to be interpreted as durable. As the model's assumptions are relaxed, analytical complexity rises and predictive clarity falls. Even more important for the diligent undergraduate, students are forced to spend ever more time analyzing the complexity of the model rather than the complexity of the city.

The efficient housing market assumption is relaxed in the fourth lecture as market failure is used to explain urban sprawl. The amenities of open spaces, the positive externalities of undeveloped land, are ignored by market driven urban development. So too are the negative externalities of traffic congestion and urban blight. Government policies affecting homeownership, transportation and agriculture also distort efficient urban economic development. Corrective policies, including urban growth boundaries, zoning and development taxes, intended to rein in urban sprawl are in turn examined, all from the perspective that economic efficiency is the gold standard of urban economic development. Optimal freeway construction with toll financing is left to the following chapter where another cost model is invoked to find the efficient outcomes.

Brueckner introduces hedonic house price functions midway in the lectures. As opposed to traditional house price functions, which measure housing consumption using only one variable, such as square footage, to questionably capture what is “consumed”, hedonic functions employ a variety of housing attributes, from lot size to age, in determining house values. The new technique is immediately put to use in analyzing the choice of whether to be a home owner or renter. Analysis of rent control, housing subsidies and the "choice" to be homeless are presented in the subsequent lecture.

The remaining lectures cover public economics theory and a Gary Becker analysis of crime before closing with a chapter on urban quality of life measurement. Consistent with previous lectures, this analysis centers on the market manifestations of quality of life amenities: desirable locations tend to exhibit not only higher housing prices but residents willing to tolerate lower money incomes.

Urban economics has a rich and fascinating history, dating at least to Cantillon's follow-the-money description of city formation as a function of housing choices made by wealthy elites. The discipline continues to evolve. The New Economic Geography of Edward Glaeser and others has revived portions of the old, institutional urban economics, bringing life to a discipline that has become tired and uninspiring. But even the New Economic Geography is no longer new.[5] In the United States, the recent mortgage market collapse, the rise of financially gated cities – typified by San Francisco and Manhattan – as well as the new urbanization movement, offer intellectual fodder for a refurbished urban economics capable of moving beyond efficient housing market hypotheses.

Brueckner's lectures are clear, coherent and accessible for undergraduate economics majors. He is to be credited with capturing the essence of the New Urban Economics from the technical complexity which envelopes the field as an academic discipline. Unfortunately, that essence may be insufficient to engage bright, curious undergraduates interested in the economics of twenty first century cities.

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Endnotes

1. Mills and MacKinnon, p. 594.
2. Richardson, p.1.
3. Glaeser 2000, p.81.
4. Marshall, p.332.
5. Krugman.

The Quest for Prosperity: How Developing Economies Can Take Off. JUSTIN YIFU LIN. Princeton, N.J.: Princeton University Press, 2012. Pp. xvii, 322. $ 27.95.

Justin Yifu Lin's *The Quest for Prosperity: How Developing Economies Can Take Off* offers a well-written and accessible prescription for growth that is based on Neoclassical economic theory and an update of the Structuralist economics approach to development. Lin labels this blended approach as "New Structural Economics". It relies heavily on comparative advantage and market-led growth (that is, standard Neoclassical thinking) but posits that governments can play key roles in fostering growth ("old" Structuralist ideas). Although Lin makes a persuasive case for his hybrid approach to development, and while there is case study evidence that such an approach has succeeded, it is also quite possible that Lin's prescription for growth may be damaging, if unsuccessful, for a large portion of the world's population that lives in locales that are sorely lacking in terms of development.

Rooted in a neoliberal perspective, Lin's New Structural Economics prescription departs from a more passive role of government, in the form of encouraging growth via efforts to create market conditions and environments that are conducive to growth and development, to a more active role wherein governments, effectively, select winners (and losers) and then act to support their picks. Lin envisions a role for government that amounts to a form of economic planning. Lin refers to this as Growth