

Urban Labor Economics. By Yves Zenou. Cambridge University Press, New York . 2009. Xiii+509 pp. \$34.95

In this carefully written book, Yves Zenou reviews his contribution to the analysis of urban labor markets. It focuses on a well-defined set of problems which are presented with the same notation and approach, in an increasing level of complexity. This is the first book that provides a theoretical analysis of urban labor markets and their consequences in terms of policy. This book differs from most edited books on this topic which collect a variety of chapters on many different topics using different perspectives and approaches. We find here three parts. Part 1 and Part 2 add a spatial dimension to traditional models of search-matching and efficiency wages, respectively. As a result, the interaction between the land and the labor market is at the heart of each chapter and the impact of an exogenous variable from one market on an endogenous variable from the other market is carefully analyzed. For example, we see how the job-destruction rate affects the price of land and the growth of cities and how commuting costs impacts on wages and unemployment. Part 3 shows to what extent these urban-labor models can explain the adverse labor-market outcomes of ethnic minorities in cities and derives important policy recommendations. In particular, the last chapter of this part explains the role of peer effects and social networks in finding a job, which is an important area of Yves Zenou's today research. Each part contains a multitude of models based on a variety of nested and alternative assumptions, which are able to generate a remarkable array of predictions.

Instead of reviewing the different models in detail, which would be almost impossible to do it in a short review, I will express in what follows my opinion on the value of this book for empirical research.

The interdependence of spatial structure and labor market outcomes is a multidimensional and extremely complex phenomenon. Yves Zenou shows in this book his ability to write relatively simple models capturing complex economic situations.

The reading of this book would benefit not only to theory-oriented scholars, but also to applied researchers trying to find the “right” microeconomic behavioral foundation able to explain their empirical findings.

But the book does not only provide a set of “stylized relationship” which can guide existing or new empirical tests of hypotheses concerning urban labor markets.

Although neither empirical models nor empirical issues are discussed, the impression that I had when going through the different chapters is that Yves Zenou was always putting some theory first, then bring it to the data, then go back to the theory, extend it in an appropriate direction -such as the non-trivial extension to (ex ante) heterogeneous workers-, go back to data, etc..., while maintaining the model tractable and the predictions clear. This is an extraordinary lesson on how to do research and to increase our understanding of real-world features.

This process culminates in the last chapter of the book, where Yves Zenou brings the reader to the research frontier in the field. As it was already recognized by Ed. Glaeser ten years ago (*The Future of Urban Research: Non-Market Interactions*. Brookings-Wharton Papers on Urban Affairs, vol. 1, 2000), non-market interactions (or peer effects and social networks) are at the core of today modern urban economic life. Social interactions seem to explain the commonly observed excess variance of aggregate variables relative to fundamentals in many settings (ranging from stock market crashes to widely different crime rates among underrepresented and economically disadvantaged groups). Social interactions, which promote agglomeration, are able to predict segregation across space, affect the acquisition of human capital, which in turn plays a key role in the formation and persistence of urban poverty traps. Urban density fosters and amplifies contagion effects. Yves Zenou presents some of his models in this direction where social networks help finding a job in the urban space, and in the last section of the book, he elaborates on a model by Calvó-Armengol and Jackson, in which an explicit network perspective is adopted. This last extension wedges a clear bridge with spatial econometric models and sets the stage for important synergies among the fields of spatial econometrics and network theory. Indeed, in the spatial econometrics literature, spatial

dependencies are captured by a weight matrix that can be interpreted as the adjacency matrix of a social network. Social network models can thus provide the behavioral foundation of spatial econometrics models in the social space and prove helpful to interpret (or reinterpret) results derived from empirical investigation in urban (and not only urban) contexts.

This very competently written and easily readable book is a compulsory reading for anyone interested in working in this field, both from a theoretical and empirical perspective. All chapters contain a last section “Notes on the Literature” which is extremely helpful to understand the appropriate relevance of the results presented in each chapter with respect to the existing literature. The long introductions to the different parts and chapters as well as the extensive explanations and discussions of the different model insights make the book accessible and able to communicate clearly ideas even to a non-specialist reader.

ELEONORA PATACCHINI

Sapienza University of Rome