

schools, controlled and funded by small, decentralized units. Families willing to migrate were given an enormous amount of choices for schooling, and the emphasis was on inclusion rather than exclusion. Competition among school districts helped to promote efficiency, although there was a cost in terms of inequality of funding of school districts. However, the inequality in access among American students paled relative to the inequality of access across students in the centralized systems in Europe. Religion and school funding were separated, which reduced the threat of competition for the same public funding, and thus expanded access to schools for people of all religions. Schooling was available for all genders, so that the benefits of education were provided to people with different social roles, which themselves have evolved over time. Finally, schools were open to all and 'forgiving'. If someone was not doing well early on in school, they still had the opportunity to continue schooling and blossom later in life.

While America led the world in education through the 1950s, most of the OECD developed countries have caught up in terms of the share of the population receiving secondary schooling. There is also evidence that the relative quality of foreign schools has caught up or surpassed American schools, particularly in the area of test scores. This decline in American graduation rates was not caused by the rise in immigration into America in the late 20th century. The results of education experiments have convinced the authors that large numbers of dropouts still would benefit from better educations, so they do not buy arguments that there are groups who should be shifting into vocational rather than general education. They argue strongly that skill-biased technological change will continue and that success will come from educating more Americans.

In the final half of the last chapter of the book, Goldin and Katz discuss the roles of the 'virtues' in modern education policy and their proposed solution for ensuring that Americans have better quality education and more access to higher levels of education. They argue that America needs to increase funding of education to enhance the quality of K-12 education and find ways to reduce the transactions costs faced by the disadvantaged when seeking scholarships and loans. This section is the least developed part of a truly magnificent book. It is a very short treatment of several issues in American education today, including school choice, public funding of religious schools, inequality of schooling access, and quality issues. There is significant academic disagreement among economists over these topics, but Goldin and Katz give only brief statements of their views, with minimal citations to the literature. The section needs a dose of the strong Goldin-Katz analysis performed on the history of education in the rest of the book, so that we get a better sense of how they sorted through the literature to come to these views. Of course, that is likely a book project in itself.

The book is a brilliant achievement that summarizes more than a decade of new data collection and careful analysis. Anybody interested in education and how it shaped the development of the American economy needs to read this book. It is a comprehensive analysis of the process that provides answers to many key questions that could not be answered until Goldin and Katz put together some of the data series in this book. It will be the starting point for future research on education and the economy on issues that will spin off from their findings.

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PRICE FISHBACK

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 labour markets. He focuses on a well-defined set of problems, which are presented with the same notation and approach, in an increasing level of complexity. This book thus differs from most edited books in this field, which collect a variety of chapters on many different topics using different perspectives and approaches. We find here three parts. Parts 1 and 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 labour 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 analysed. For example, we see how the job destruction rate affects the price of land and the growth of cities, and how commuting costs impact on wages and unemployment. Part 3 shows to what extent these urban labour models can explain the adverse labour market outcomes of ethnic minorities in cities, and

derives valuable 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 current 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 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 labour 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.

Reading of this book would benefit not only theory-oriented scholars, but also applied researchers trying to find the 'right' microeconomic behavioural foundation that is able to explain their empirical findings.

But the book does more than provide a set of 'stylized relationships' which can guide existing or new empirical tests of hypotheses concerning urban labour 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 bringing it to the data, then going back to the theory, extending it in an appropriate direction—such as the non-trivial extension to (*ex ante*) heterogeneous workers—going back to data, etc., while keeping 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 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 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 and 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 in finding a job in the urban space, and in the last section of the book he elaborates on a model by Calvo-Armengol and Jackson, in which an explicit network perspective is adopted. This last extension gives a clear bridge to 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 behavioural 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 compulsory reading for anyone interested in working in this field, from both a theoretical and an empirical perspective. All chapters contain a last section 'Notes on the literature', which is extremely helpful for understanding the appropriate relevance of the results presented in the 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 ideas clearly even to a non-specialist reader.

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