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The Conscience of a Liberal

PAUL KRUGMAN

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The Dead Hand Versus the Invisible Hand, Urban Edition

Sometimes you read an economics paper that just makes you start grinning in pleasure. [Michaels and Rauch](#) on path dependence of urban locations is one of those papers.

Their paper tries to address one of the key themes of economic geography: the role of cumulative causation, and its tendency to lock in urban locations. Economic geography models stress the importance of various kinds of agglomeration economies, which give an advantage to firms or people who locate close to other firms or people. Such economies clearly lead to urban persistence: once there's a clump of activity somewhere, it tends to stay there unless a big enough shock comes along.

But how can we test for that effect? They identify a great natural experiment: the fall of the Roman Empire. As they note, this fall was much worse in Britain than in France; in France urban life became a shadow of its former self, but in Britain it completely disappeared. Did this difference leave its mark on geography?

Their answer is yes: when urban life revived in the medieval period, French towns tended to be near old Roman centers, while British towns didn't. And the British had the better of this deal, because optimal town locations in the Roman era — with good roads — weren't the same as in the Middle Ages, when roads remained terrible but the technology of water transport had improved.

Lovely stuff.

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