

HKUST ECON Seminar

22 May, 2026, 3:00 pm – 4:30 pm

Of Boom and Ghost Towns: Early City Formation during the California Gold Rush

Prof Matthias Hoelzlein, University of Notre Dame

Abstract:

In this paper, we study the determinants of death and survival of cities and the underlying micro-economic decisions about migration and occupational choice of workers. We employ the end of California Gold Rush in the 1860s as a large, permanent shock to the urban structure of early California to investigate, 1) what factors makes cities resilient to large, adverse shocks in the long-run, and 2) along which margins are workers adjusting when exposed to a large, adverse shock, and how the urban system interacts with these margins. In particular, we propose early scope -- the sector diversification away from the initial advantage -- as a force that mitigates sector-level shocks and leads to a persistent urban structure beyond scale and natural advantages as suggested by the previous literature. To capture the long-run nature of urban systems, we construct a rich panel dataset of settlements and workers in California using restricted census full counts encompassing 150 years of data. Moreover, we develop a dynamic, quantitative economic geography model to better understand the role of sector diversity, the emergence of ghost towns and workers' adjustment margins in the formation of modern California.