

New York University  
Robert F. Wagner Graduate School of Public Service

P11.2608: Urban Economics  
Spring 2006

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Office Hours: Tuesdays 2:00-3:30 or by appointment

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Course Description

The field of urban economics addresses a wide variety of questions and topics. At the most general level, the field introduces space into economic models and studies the location of economic activity. Urban economics typically addresses four sets of questions, and this course is organized around these four areas. The first set of questions focuses on the development of urban areas. Why do cities exist and why do some grow more rapidly? How can local governments encourage such growth? The second set of questions addresses patterns of development *within* metropolitan areas. Why do certain parts of metropolitan areas grow more rapidly than others? How do firms and households decide where to locate within given metropolitan areas? What determines the price of land, and how do these prices vary across space? The third set of questions concerns the spatial dimensions of urban problems. In this class, we will focus on poverty, housing, and inner-city economic development. Finally, in the last part of the class, we will briefly study the spatial aspects of local government policy and explore the inter-relationships between city and suburban governments.

Course Prerequisites

Students should have completed P11.1018 (Microeconomics) and should have taken or be taking P11.1101 (Statistical Methods) concurrently. Several assignments will ask you to use excel, so please brush up on your excel skills if needed.

Course Requirements

Students are expected to do the reading each week before class. In addition, there will be four take-home assignments, a take-home mid-term exam, and a final exam. The assignments will combine problems, data analysis (using a spreadsheet program such as excel), and brief essays on urban issues. I encourage you to work together on these four

assignments, but you must submit individual write-ups. The take-home assignments will be graded on a pass-fail basis. The take-home midterm will be graded and you may *not* discuss it with other students.

### Grading

All requirements must be completed by the dates specified or they will not be counted towards final grade. No late assignments will be accepted. Borderline grades may be adjusted on the basis of class participation.

1. First assignment (2.5% of final course grade)  
Due in class 4, Tuesday February 7
2. Second assignment (2.5% of final course grade)  
Due in class 6, Tuesday, February 21
3. Take-Home midterm examination (40% of final course grade)  
Due in class 8, Tuesday, March 7
4. Third assignment (2.5% of final course grade)  
Due in class 11, Tuesday, April 4
5. Fourth assignment (2.5% of final course grade)  
Due in class 14, Tuesday, April 25
6. Final exam (50% of final course grade)  
Tuesday, May 9

### Readings

All readings are required, unless noted as supplementary. The readings include chapters from two textbooks:

- O’Flaherty, Brendan, *City Economics*. Cambridge, Mass: Harvard University Press, 2005.
- O’Sullivan, Arthur, *Urban Economics* (Fifth Edition). Boston: Irwin/McGraw Hill, 1990, 2002.

The O’Flaherty textbook is available for purchase at the NYU Professional Bookstore. The assigned chapters from the O’Sullivan text, together with a few additional book chapters, are included in a course packet available at Unique Copy Center, 252 Greene Street between 8<sup>th</sup> Street and Waverly Place. You may want to call ahead to make sure that they have a packet ready for you (420-9198).

Other required articles are posted on the course blackboard site, which you can find at <http://classes.nyu.edu/>. If you have not activated your NYU account or have forgotten your password, you can activate or change your password at <http://start.nyu.edu>. Once you have gained access to the website, please change your email address to whatever address you use most often by going to “Tools” and then “Personal Information.”

## Class Schedule

### Part I: Market Forces in the Development of Cities

#### 1. Introduction: Why Do Cities Exist? (January 17)

O'Flaherty, Chapters 1 and 2.

Glaeser, Edward, "Why Economists Still Like Cities," *City Journal* (Spring 1996): 70-77.

#### Supplementary

Glaeser, Edward L., "Are Cities Dying?" *Journal of Economic Perspectives* 12(1998): 139-160.

Jacobs, Jane. *The Economy of Cities*, New York: Random House, 1960.

Quigley, John M., "Urban Diversity and Economic Growth," *Journal of Economic Perspectives* 12 (1998): 127-138.

#### 2. Where Do Cities Develop? Business Location (January 24)

O'Sullivan, Chapter 4.

Bartik, Timothy J., Charles Becker, Steve Lake, and John Bush. "Saturn and State Economic Development." *Forum for Applied Research and Public Policy*, Spring 1987, pp. 29-40.

#### Supplementary

Carlton, D.W., "The Location and Employment Choices of New Firms." *Review of Economics and Statistics* 65 (1983), pp. 440-449.

Elison, Glen, and Edward Glaeser, "The Geographic Concentration of Industry: Does Natural Advantage Explain Agglomeration?" *American Economic Review* 89 (1999), pp. 311-316.

Gottlieb, Paul, "Amenities as Economic Development," *Economic Development Quarterly* 8 (1994): 270-285.

Moses and Williamson, "The Location of Economic Activity in Cities," in *Readings in Urban Economics*, ed. Matthew Edel and Jerome Rothenberg. New York: MacMillan, 1972.

#### 3. Analyzing a Local Economy (January 31)

O'Flaherty, Chapter 18, pp. 517-526.

McLean, Mary L., and Kenneth P. Voytek. *Understanding Your Economy: Using Analysis to Guide Local Strategic Planning* (Planners Press 1992), pp. 51-74.

Bram, Jason, Andrew Haughwout, and James Orr, "Has September 11 Affected New York City's Growth Potential?" FRBNY Economic Policy Review, November 2002.

Supplementary

Bingham, Richard D., and Randall W. Eberts. *Economic Restructuring of the American Midwest* (Kluwer Academic Publishers, 1990).

4. Urban Economic Growth and State and Local Policy (February 7)

O'Flaherty, Chapter 18, pp. 526-551.

Ellen, Ingrid Gould and Amy Ellen Schwartz. "No Easy Answers: Cautionary Notes for Competitive Cities," *The Brookings Review* (Summer 2000): pp. 44-47.

Supplementary

Bartik, Timothy J. *Who Benefits from State and Local Economic Development Policies* (W.E. Upjohn Institute for Employment Research 1991).

Timothy Bartik, "Jobs, Productivity, and Local Economic Development: What Implications does Economic Research have for the Role of the Government?" *National Tax Journal* XLVI (1994).

Boarnet, Marlon G., and William T. Bogart, "Enterprise Zones and Employment: Evidence from New Jersey," *Journal of Urban Economics* 40 (1996): 198-215.

Courant, Paul N. "How Would You Know a Good Economic Development Policy if You Tripped Over One? Hint: You Don't Just Count Jobs." *National Tax Journal* 47: 863-881.

Noll, Roger, and Andrew Zimbalist. *Sports, Jobs, and Taxes*. (Brookings Institution Press, 1997).

Part II: Land Rent and Land-Use Patterns with Metropolitan Areas

5. Introduction to Land Rent and Land Use (February 14)

O'Sullivan, Chap 7 and selections from Chap 8 (pp.167-176 and pp.185-190).

O'Flaherty, Chapter 6.

Supplementary

Netzer, Dick, *Land Value Taxation: Can and Will it Work Today?* (Lincoln Institute for Land Policy, 1998).

## 6. Location Theory and Causes of Suburbanization (February 21)

Glaeser, Edward L., and Matthew E. Kahn, "Decentralized Employment and the Transformation of the American City." *Brookings-Wharton Papers on Urban Affairs 2001*: pp. 1-63.

Mieszkowski, Peter, and Edwin S. Mills, "The Causes of Metropolitan Suburbanization," *Journal of Economic Perspectives* 7(1993): 135-147.

### Supplementary

Glaeser, Edward, Matthew Kahn, and Jordan Rappaport, "Why Do the Poor Live in Cities?" NBER Working Paper (April 2000), Cambridge, MA: NBER. O'Flaherty, chapters 3 and 6.

## 7. Suburbanization and Sprawl: An Assessment (February 28)

O'Flaherty, pp. 145-148.

Brueckner, Jan, "Urban Sprawl: Lessons from Urban Economics," *Brookings-Wharton Papers on Urban Affairs 2001*: pp. 65-97.

Downs, Anthony, "How America's Cities Are Growing: The Big Picture," *The Brookings Review* (Fall 1998): 8-12.

Gordon, Peter, and Harry W. Richardson, "Prove it: The Costs and Benefits of Sprawl," *The Brookings Review* (Fall 1998): pp. 23-25.

### Supplementary:

Altshuler, Alan A., and Jose A. Gomez-Ibanez. *Regulation for Revenue: The Political Economy of Land Use Exactions* (Brookings Institution Press and the Lincoln Land Institute of Land Policy, 1993), pp. 62-76.

Downs, Anthony, *New Visions for Metropolitan America* (Brookings Institution Press, 1994): pp. 3-30.

Glaeser, Edward, and Matthew Kahn, "Sprawl and Urban Growth." NBER Working Paper 9733 (May 2003). Cambridge, MA: NBER.

Jackson, Kenneth T., *Crabgrass Frontier: The Suburbanization of the United States*. Oxford University Press, 1985.

Nivola, Pietro S. *Laws of the Landscape: How Policies Shape Cities in Europe and America* (Brookings Institution Press, 1999), pp. 35-51.

## 8. The Economics of Zoning (March 7)

O'Sullivan, Chapter 10, pp. 228-245.

Fischel, William A. "Comment on Carl Abbott's 'The Portland Region: Where Cities and Suburbs Talk to Each Other and Often Agree.'" *Housing Policy Debate* 8(1997).

Glaeser, Edward, and Joseph Gyourko, "The Impact of Building Restrictions on Housing Affordability." *Economic Policy Review* June 2003: 21-39.

Supplementary

Downs, Anthony, *New Visions for Metropolitan America* (Brookings Institution Press, 1994).

Fischel, William, *The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls* (Johns Hopkins University Press, 1985).

Mills, Edwin S. "Economic Analysis of Urban Land-Use Controls," in Peter Mieszkowski and Mahlon Straszheim, eds., *Current Issues in Urban Economics* (Johns Hopkins University Press, 1979): pp. 511-541.

O'Flaherty, chapter 8.

Part III: Economics of Urban Problems

9. Economics of Housing Markets (March 21)

O'Flaherty, Chapter 13.

Supplementary

Henry J. Aaron, "Chapter One: Rationale for a Housing Policy," *Shelter and Subsidies: Who Benefits from Federal Housing Policies*. (Brookings Institution, 1972), pp. 3-22.

Olsen, Edgar O. "Housing Programs for Low-Income Households." National Bureau of Economic Research, Working Paper W8208, April 2001.

Olsen, Edgar O. "Introduction: The Economics of Rent Control," *Regional Science and Urban Economics* 28(1998): 673-678.

10. Race and Housing (March 28)

O'Flaherty, chapter 11, pp 286-297.

O'Flaherty, chapter 12.

Turner, Margery, Stephen Ross, George Galster, and John Yinger, "Discrimination in Metropolitan Housing Markets: National Results from Phase I HDS 2000: Final Report," November 2002: executive summary.

Supplementary

Cutler, David, Edward Glaeser, and Jacob Vigdor, "The Rise and Decline of the American Ghetto," *Journal of Political Economy* June 1999.

Ladd, Helen F., "Evidence on Discrimination in Mortgage Lending," *Journal of Economic Perspectives* 12(1998): 41-62.

- Massey, Douglas, and Nancy Denton. *American Apartheid* (Harvard University Press, 1993).
- Munnell, Alicia H., Geoffrey M.B. Tootell, Lynn E. Browne, and James McEneaney, "Mortgage Lending in Boston: Interpreting HMDA Data," *American Economic Review* 86(1996): 25-53.
- Yinger, John, *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination* (Russell Sage Foundation, 1995).

#### 11. Urban Poverty: The Role of Space (April 4)

- Ellen, Ingrid Gould, and Margery Austin Turner, "Does Neighborhood Matter? Assessing Recent Evidence," *Housing Policy Debate* 8(4): 833-866.
- Ihlanfeldt, Keith R., "The Spatial Mismatch Between Jobs and Residential Locations Within Urban Areas," *Cityscape* 1(1994): pp. 219-232.
- Jargowsky, Paul. 2003. "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty During the 1990s." Brookings Institution Center for Metropolitan and Urban Policy.  
<http://www.brookings.edu/es/urban/publications/jargowskypoverty.pdf>
- Kasinitz, Philip, and Jan Rosenberg, "Why Empowerment Zones Won't Work." *The City Journal* 3(1993): 63-71.

#### Supplementary

- Holzer, Harry J. "Black Employment Problems: New Evidence, Old Questions." *Journal of Policy Analysis and Management* 13(1994): 699-722.
- Katz, Lawrence, Jeffrey Kling, and Jeffrey Liebman, "Experimental Analysis of Neighborhood Effects," June 2005.  
[http://www.nber.org/~kling/mto/mto\\_exp.pdf](http://www.nber.org/~kling/mto/mto_exp.pdf)
- O'Regan, Katherine and John M. Quigley, "Spatial Effects on Employment Outcomes: The Case of New Jersey Teenagers." *New England Economic Review* (May/June 1996).

#### 12. Urban Poverty: Policy Responses (April 11)

- Glaeser, Edward L., "Places, People, Policies: An Agenda for America's Urban Poor," *Harvard Magazine* (November/December 2000): 34-35.
- Ihlanfeldt, Keith, "The Spatial Mismatch Between Jobs and Residential Locations Within Urban Areas," *Cityscape* 1(1994): REREAD pp. 226-232.
- Roder, Anne, and Scott Scrivner, Seeking a Sustainable Journey to Work: Findings from the National Bridges to Work Demonstration, July 2005: Executive Summary.
- Wasserman, Miriam, "The Geography of Life Chances," *Regional Review Q4*, 2001.

Supplementary

- Ferguson, Ronald F., and William T. Dickens, "Introduction." In Ronald F. Ferguson and William T. Dickens, editors, *Urban Problems and Community Development* (Washington, DC: Brookings Institution Press, 1999), pp. 1-31.
- Katz, Lawrence, Jeffrey Kling, and Jeffrey Liebman, "Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment," *Quarterly Journal of Economics* 116 (May 2001): 607-654.
- Ladd, Helen F., "Spatially Targeted Economic Development Strategies: Do They Work?" *Cityscape* 1(1994): 193-202.
- Porter, Michael, "The Competitive Advantage of the Inner-City." *Harvard Business Review* (May/June 1995): 55-71.

Part IV: Local Government and the Future of Cities

13. Overview of Local Government (April 18)

- O'Sullivan, Arthur, *Urban Economics, 5<sup>th</sup> Edition* (New York: McGraw-Hill/Irwin), pp. 503-523; pp. 323-333.
- Schwartz, Amy Ellen. "Tax and the City: Tax Reform for a Competitive New York" in *Rethinking the Urban Agenda: Reinvigorating the Liberal Tradition in New York City and Urban America*, Ken Emerson and John Mollenkopf, editors, Century Foundation Press, 2001.

14. Looking to the Future (April 25)

- O'Flaherty, Epilogue.
- Ihlanfeldt, Keith, "The Importance of the Central City to the Regional and National Economy: A Review of the Arguments and Empirical Evidence," *Cityscape* 1(1995): 125-150.
- Glaeser, Edward L., "Demand for Density? The Functions of the City in the 21<sup>st</sup> Century," *The Brookings Review* (Summer 2000): pp. 12-15.

Supplementary

- Glaeser, Edward L., and Jesse M. Shapiro, "Cities and Warfare: The Impact of Terrorism on Urban Form." NBER Working Paper 8696 (2001): Cambridge, MA: NBER.
- Moss, Mitchell, "Technology and Cities," *Cityscape: A Journal of Policy Development and Research* 3(1998): 107-128.
- Voith, Richard, "Do Suburbs Need Cities?" *Journal of Regional Science* 38 (1998): 445-464.