Lecturers:

Section 1
Tuesday, 9-10:40am, 19W4 Room: 102
Michael Suher
139 McDougal Street, room 206-B
212-992-8967
michael.suher@nyu.edu
OH: Tuesdays 4:00-5:30 or by appointment

Section 2
Tuesday, 6:45-8:25pm, GCASL 269
Gita Khunjush
139 McDougal Street, room 206-A
212-992-8654
gita.khunjush@nyu.edu
OH: Mondays 6:00-7:30 or by appointment

Tutor: Colin Murphy (colin.murphy@nyu.edu); Colin is available by email and you can set up in-person tutoring session with him.

Course Description
The field of Urban Economics studies the role of location for economic activity and individuals’ economic choices. As a consequence, Urban Economics often touches on questions in a variety of other subfields of Economics, such as Labor Economics or Industrial Organization.

Urban Economics typically addresses three sets of questions, and this course is organized around these three areas. The first set of questions focuses on market forces in the development of cities. Why do cities exist, what distinguishes bigger from smaller cities, and why do some grow more rapidly? Can local governments encourage such growth; if so, how?

The second set of questions addresses intra-city land rent and land-use patterns. 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 deals with the economics of urban problems. It focuses on the spatial dimensions of urban problems, in particular on poverty, housing, and suburban sprawl.

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 are four take-home assignments, a mid-term exam, and a policy memo. The assignments will combine
problems and data analysis (using a spreadsheet program such as Excel). We encourage you to work together on these three assignments, but you must submit individual write-ups.

**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 (5% of final course grade)
   Due in class 4, **Tuesday, February 14th**
2. Second assignment (5% of final course grade)
   Due in class 7, **Tuesday, March 7th**
3. Third assignment (5% of final course grade)
   Due in class 9, **Tuesday March 28th**
4. Midterm exam (50% of final course grade)
   Class 10, **Tuesday, April 4th**
5. Fourth assignment (5% of class grade)
   Due in class 13, **Tuesday April 25th**
6. Policy memo (30% of final course grade)
   Due in class 14, **Tuesday May 2nd**

**Readings**

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


Students do NOT need to purchase either book in its entirety. The O’Sullivan chapters are in a customized text available for sale at the NYU Bookstore. The customized text may also be purchased as an e-book (see instructions posted on the course NYU Classes site). The O’Flaherty chapters are included in the course reader for the class available at Unique Copy Center. You may want to call ahead to make sure that they have a packet ready for you (212-420-9198).

There are numerous other required readings for the class, all of which are posted on NYU Classes. Most of the supplemental readings should be posted on the site as well. These supplemental articles are there for your interest and are optional.
PART I: MARKET FORCES IN THE DEVELOPMENT OF CITIES

1. Introduction: What is a City and Why Do They Exist? (January 24)
   We start by defining the city as an economic unit. We discuss how this abstract definition translated into units of measurement, when dealing with data. The core tenets of urban economics are laid out and we introduce the notion of agglomeration economies.

   O’Sullivan, Chapter 1.
   O’Flaherty, Chapters 1 and 2.
   United Nations, Department of Economic and Social Affairs, Population Division (2014).
   World Urbanization Prospects: The 2014 Revision, Highlights.

   Supplementary

2. What Drives Urban Economic Growth? (January 31)
   We discuss the mechanisms that lead to agglomeration of economic activity. To understand why cities grow, we study the determinants of labor market equilibrium. Finally, we set out to understand the history of New York City using the economic models introduced.


   Supplementary

3. Why Do We Care About Economic Growth? (February 7)

*Do increases in city size, more precisely employment, lead to improvements in the standard of living and well-being of the population? What are the drivers of labor demand and labor supply? We discuss the consequences of wage and rent differentials across cities, how they lead to migration flows, and why differences in standard of living persist.*

O’Flaherty, Chapter 18, pp. 517-531.

**Supplementary**

4. Urban Economic Growth and State and Local Policy (February 14)

*Which strategies can local politicians follow to generate economic growth, i.e. create jobs and increase tax revenue? We distinguish between demand- and supply-led growth. Demand side strategies aim at attracting jobs, while supply side strategies focus on attracting certain types of workers. We study the effectiveness and efficiency of these approaches.*

O’Flaherty, Chapter 18, pp. 531-551.
Supplementary

PART II: INTRA-CITY LAND RENT AND LAND-USE PATTERNS

5. Introduction to Land Rent and Land Use (February 21)

*What are the determinants of land rent and how do equilibrium rents determine the intra-city allocation of firms? We introduce the widely used monocentric model and discuss land use. We use the insights to discuss the case for land taxation.*

O’Sullivan, Chap 6.

Supplementary

6. Land Use Patterns and Their Causes (February 28)

*We expand the monocentric model to include residential location choice. Since the land and housing markets are heavily regulated in most countries, we study the effects of land use regulation. We try to understand Suburbanization using the introduced model and conclude by comparing US to international findings.*

O’Sullivan, Chapter 7.

Supplementary
O’Flaherty, chapters 3 and 6.

7. Overview of Local Government (March 7)
To understand urban location patterns and growth, we cannot abstract from local amenities and public policy. We discuss the types and structure of local governments. What are rationales for public policy in general and local public policy in particular? Which functions and instruments are best centralized and which are best placed in the sphere of decentralized levels of government?

O’Sullivan, Chapter 15.

8. The Economics of Zoning and Land Use Regulations (March 21)
Unfettered land use and development can generate external costs, one reason for policy intervention. How does land use regulations help address the externalities? We compare regulation to taxation in the land market.

O’Sullivan, Chapter 9.

Quigley, John and Larry Rosenthal, “The Effects of Land Use Regulation on the Price of

**Supplementary**

Been, Vicki, Ingrid Gould Ellen, Michael Gedal, Edward Glaeser, and Brian McCabe. 2016. Preserving History or Restricting Development: The Heterogenous Effects

Fischel, William A. *The Economics of Zoning Laws: A Property Rights Approach to

Glaeser, Edward L. and Joseph Gyourko, “The Impact of Building Restrictions on

Hilber, Christian and Frédéric Robert-Nicoud, “On the origins of land use regulations:
Theory and evidence from US metro areas.” *Journal of Urban Economics*

Mills, Edwin S. “Economic Analysis of Urban Land-Use Controls,” in *Current Issues in

O’Flaherty, Chapter 8.

9. Economics of Housing Markets (March 28)

*Can we justify intervention in the housing market; what’s special about housing? We
discuss the hedonic pricing model. Facing steeply rising housing prices in some
metropolitan areas, we address housing affordability and the role of government
intervention.*

O’Flaherty, Chapter 13.


Quigley, John, and Steven Raphael, “Is Housing Unaffordable? Why Isn’t it More

**Supplementary**

Aaron, Henry J., “Chapter One: Rationale for a Housing Policy,” in *Shelter and


10. IN-CLASS MIDTERM – Tuesday, April 4th

**PART III: ECONOMICS OF URBAN PROBLEMS**

11. Suburbanization and Sprawl: An Assessment (April 11)
   
   *We define urban sprawl. Is sprawl a market failure? We ask who the winners and losers of urban sprawl are, and discuss policies for counteracting sprawl.*


   Supplementary:

12. Race and Housing (April 18)
   
   *Data on intra-city racial segregation in the US shows that segregation has declined since 1980, but remains high. We discuss market and non-market forces leading to segregation, focusing on evidence for discrimination in the housing market. Which policies have been used to address racial segregation? Finally, we discuss the subprime mortgage crisis, with particular focus on racial patterns.*

   O’Flaherty, Chapter 12.


Supplementary


We review the data on neighborhood segregation patterns. What are the potential impacts of segregation? We discuss how we can measure neighborhood effects and the current evidence on neighborhood effects. How can policies reduce poverty concentration?


Supplementary


14. Looking to the Future (May 2)


**Supplementary**

