URPL-GP 2608
Urban Economics
Spring 2024

Instructor Information

- Ingrid Ellen (she/her/hers)
  - Email: ingrid.ellen@nyu.edu
  - Office Hours: Tuesday 2:30-4:00pm. Please click here to make an appointment, either on Zoom or email for in-person. (Please email if you need a different time.)

Course Information

- Class Meeting Times:
  - Tuesday 10-11:40am, GCASL, 361
  - Tuesday 4:55-6:35pm, GCASL, 383
- Tutors:
  - Eva Phillips (she/her/hers)
    - Email: eep8983@nyu.edu
  - Michael Frajman (he/him/his)
    - Email: mhf8621@nyu.edu
  - Office hours
    - Monday, 2-3pm
    - https://nyu.zoom.us/j/98426316694
- For administrative matters, please contact:
  - Chris Harris
  - Email: christopher.harris@nyu.edu

Course Prerequisites

Students should have completed CORE-GP 1018 (Microeconomics) and should have taken or be taking CORE-GP 1011 (Statistical Methods) concurrently. Several assignments will ask you to use excel, so please brush up on your excel skills if needed.
Course Description

The field of urban economics introduces space into economic models and studies the location of economic activity. Urban economics typically addresses three sets of questions, and this course is organized around these three 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, and if so, how? 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 economics and spatial dimensions of urban problems. We will focus on externalities from automobiles, poverty concentration, racial segregation, suburban sprawl, and shifts in urban labor markets.

Course and Learning Objectives

Students completing this course should be able to:

1. Identify the factors that have driven the growth of cities historically and that drive it today, including agglomeration economies.
2. Evaluate who wins and loses from local economic growth.
3. Assess the likely effects of different policies to encourage local economic growth.
4. Explain the concept of spatial equilibrium, and how it shapes land rents.
5. Analyze and explain the evolution of urban land use patterns and density.
6. Analyze the costs and benefits of different kinds of land use regulations.
7. Judge which level of government is best equipped to address different issues.
8. Explain the unique characteristics of housing markets and assess the arguments for government intervention.
9. Assess external costs of automobile use and evaluate policies to address them.
10. Examine the costs of urban sprawl and justify different policies to address it.
11. Analyze the causes and consequences of racial and economic segregation in U.S. metropolitan areas and evaluate whether and how governments should address this segregation.
12. Write clear economic arguments advocating for policies to address such challenges as suburban sprawl, urban poverty, and racial segregation.
13. Identify challenges facing cities in the future and how cities can manage them.

Assignments and Evaluation

There are four take-home assignments, a take-home midterm exam, and a policy memo. The assignments combine problems and data analysis. Assignments must be submitted by the due dates, or they will not be counted towards final grade. Borderline grades may be adjusted on the basis of class participation. The take-home assignments and discussion questions will be graded pass-fail, but the midterm and policy memo will be graded on a scale (see below).
<table>
<thead>
<tr>
<th></th>
<th>Due Date</th>
<th>% of Grade</th>
<th>Objectives Assessed</th>
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<tbody>
<tr>
<td>Discussion questions</td>
<td>Weekly</td>
<td>4%</td>
<td>1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13</td>
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<tr>
<td>First assignment</td>
<td>Feb 13</td>
<td>4%</td>
<td>1, 2</td>
</tr>
<tr>
<td>Second assignment</td>
<td>Feb 27</td>
<td>4%</td>
<td>3, 4, 5</td>
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<tr>
<td>Take-home exam</td>
<td>March 14</td>
<td>50%</td>
<td>1, 2, 3, 4, 5, 6, 7, 8, 9, 11</td>
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<tr>
<td>Third assignment</td>
<td>April 2</td>
<td>4%</td>
<td>6, 7, 8, 9</td>
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<td>Fourth assignment</td>
<td>April 23</td>
<td>4%</td>
<td>10, 11</td>
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<tr>
<td>Policy memo</td>
<td>May 3</td>
<td>30%</td>
<td>10, 11, 12, 13, 14</td>
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**Required Readings, Videos and Podcasts**

All readings/videos/podcasts are required, unless noted as supplementary. Students are expected to do the reading and watch any assigned videos each week before class. They must read and consider the discussion questions posted on NYU Brightspace each week and post a single response or an additional question by 4pm the day before class. The readings include chapters from two textbooks:


Students do NOT need to purchase either book in its entirety. The O’Sullivan chapters may be purchased as an e-book (see instructions posted on the course NYU Brightspace site). The O’Flaherty book is available in full online through the NYU Library (you will need to be logged in to NYU Home to access):

https://ebookcentral-proquest-com.proxy.library.nyu.edu/lib/nyulibrary-ebooks/detail.action?docID=3300089&query=brendan+o%27flaherty

Other required readings, videos and podcasts for the class are posted on NYU Brightspace. Most of the supplemental readings should be posted on the site as well. These supplemental articles are there for your interest and are optional.

**Academic Integrity**

Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by [Wagner’s Academic Code](#). All Wagner students have already read and signed the [Wagner Academic Oath](#). Plagiarism of any form will not be tolerated and students in this class are expected to report violations to their professors. If any student in this class is unsure about what is expected and how to abide by the academic code, you should consult with me.

For this particular course, there are some specific behaviors required to meet standards of academic integrity:

**Assignments**: Students are encouraged to work in groups, but the final write up of assignments must be done individually with no sharing of written answers.
**Exam:** The exam must be the sole work of the individual student.

**AI:** Using ChatGPT and related tools will reduce what you learn in this course. Consequently, the use of ChatGPT, Bard, and other generative AI tools is not allowed in this course.

Violations of these standards will result in students’ failing the assignment and potentially the course and being remanded to the discipline committee for further action.

**Henry and Lucy Moses Center for Students with Disabilities**

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Students with Disabilities (CSD) website](http://mosescsd.nyu.edu) and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

**NYU’s Calendar Policy on Religious Holidays**

NYU’s Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

**Letter Grades**

Letter grades for the entire course will be assigned as follows:

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Points</th>
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<tbody>
<tr>
<td>A</td>
<td>4.0 points</td>
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<tr>
<td>A-</td>
<td>3.7 points</td>
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<tr>
<td>B+</td>
<td>3.3 points</td>
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<tr>
<td>B</td>
<td>3.0 points</td>
</tr>
<tr>
<td>B-</td>
<td>2.7 points</td>
</tr>
<tr>
<td>C+</td>
<td>2.3 points</td>
</tr>
<tr>
<td>Letter Grade</td>
<td>Points</td>
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<td>--------------</td>
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</tr>
<tr>
<td>C</td>
<td>2.0 points</td>
</tr>
<tr>
<td>C-</td>
<td>1.7 points</td>
</tr>
<tr>
<td>F</td>
<td>0.0 points</td>
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Student grades will be assigned according to the following criteria:

- **(A) Excellent**: Exceptional work for a graduate student. Work at this level is unusually thorough, well-reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.
- **(A-) Very good**: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.
- **(B+) Good**: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.
- **(B) Adequate**: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.
- **(B-) Borderline**: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”
- **(C-/+) Deficient**: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.
- **(F) Fail**: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.
## Overview of the Semester

<table>
<thead>
<tr>
<th>Week</th>
<th>Class Date</th>
<th>Topic</th>
<th>Deliverable</th>
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<tbody>
<tr>
<td>Week 1</td>
<td>January 23</td>
<td>Introduction to Course and Cities</td>
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<tr>
<td>Week 2</td>
<td>January 30</td>
<td>The Economics of Density</td>
<td>Discussion questions</td>
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<tr>
<td>Week 3</td>
<td>February 6</td>
<td>What Drives Urban Economic Growth, and Who Benefits?</td>
<td>Discussion questions</td>
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<tr>
<td>Week 4</td>
<td>February 13</td>
<td>Policies to Promote Urban Growth</td>
<td>Discussion questions + Assignment 1 due</td>
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<tr>
<td>Week 5</td>
<td>February 20</td>
<td>Introduction to Land Rent and Land Use</td>
<td>Discussion questions</td>
</tr>
<tr>
<td>Week 6</td>
<td>February 27</td>
<td>Residential Land Use Patterns</td>
<td>Discussion questions+ Assignment 2 due</td>
</tr>
<tr>
<td>Week 7</td>
<td>March 5</td>
<td>Overview of Local Government</td>
<td>Discussion questions</td>
</tr>
<tr>
<td>Week 8</td>
<td>March 12</td>
<td>The Economics of Zoning and Land Use Regulations</td>
<td>Discussion questions + Take-home midterm due, March 14th</td>
</tr>
<tr>
<td>Week 9</td>
<td>March 26</td>
<td>Housing Markets and Housing Policy</td>
<td>Discussion questions</td>
</tr>
<tr>
<td>Week 10</td>
<td>April 2</td>
<td>Urban Transportation: The Economics of Cars, Roads, and Congestion Pricing</td>
<td>Discussion questions + Assignment 3 due</td>
</tr>
<tr>
<td>Week 11</td>
<td>April 9</td>
<td>Climate Change and Cities</td>
<td>Discussion questions</td>
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<tr>
<td>Week 12</td>
<td>April 16</td>
<td>Race and Housing</td>
<td>Discussion questions</td>
</tr>
<tr>
<td>Week 13</td>
<td>April 23</td>
<td>Urban Poverty: The Role of Neighborhoods</td>
<td>Discussion questions + Assignment 4 due</td>
</tr>
<tr>
<td>Week 14</td>
<td>April 30</td>
<td>The Future of Cities</td>
<td>Policy memo and slides due May 2nd</td>
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Detailed Class Schedule

Part I: Market Forces in the Development of Cities

1. Introduction: What is a City and Why Do They Exist?
We start by defining the city as an economic unit. We discuss how this abstract definition is translated into units of measurement. We also review some key concepts from microeconomics that provide a foundation for urban economics. We explore why cities exist and introduce the notion of agglomeration economies.

Required Readings/Videos
O’Sullivan, Chapters 1 and 2.
O’Flaherty, Chapters 1 and 2.
Demographia, “Definition of Urban Terms.”

Videos:
“What is a City?” The Atlantic, 2014.

Supplementary

2. The Economics of Density
We discuss the appeal of cities as places to produce and to live. We explore the mechanisms that lead to agglomeration of economic activity around the world. We explore the role of industrial composition and other determinants of urban growth. We also consider whether cities can grow too fast or grow too large.

Required Readings/Videos

News and Analysis:
Supplementary


3. Drivers of Urban Economic Growth

To understand why cities grow, we use a supply-demand framework and consider the drivers of supply-led as well as demand-led growth. We also consider whether increases in employment lead to improvements in the standard of living and well-being of the population and the distribution of gains. Who benefits from economic growth, and why? Finally, we use shift-share analysis to analyze city growth.

Required Readings/Videos

O’Flaherty, Chapter 18, pp. 517-526.

Supplementary

4. Urban Economic Growth and State and Local Policy

To understand why cities grow, we use a supply-demand framework and consider the drivers of supply-led as well as demand-led growth. We consider the goals of economic development and explore which local economic development strategies are most likely to create jobs, boost tax revenue, and improve well-being. We consider costs of policies and distinguish between demand- and supply-led growth.

Required Readings/Videos

O’Flaherty, Chapter 18, pp. 526-551.

News and Analysis:

Podcasts:
“Why Did the Job Cross the Road?” Planet Money, Episode 699, May 5, 2016.

Supplementary


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

5. Introduction to Land Rent and Land Use

We consider the determinants of land rent and intra-city location of firms. We introduce the widely used monocentric models and discuss land use. We consider the case for land taxes.
6. Residential Land Use Patterns and Their Causes

We expand the monocentric model to include residential location choice and use economics to model how transportation investments affect spatial patterns, and how households choose residential locations within a city. We use the model to understand the drivers of suburbanization and gentrification in the U.S. and other contexts.

Required Readings/Videos

O’Flaherty, Chapter 6, pp. 130-137.

Videos


Supplementary


7. Overview of Local Government
We discuss the types and structure of local governments and how they influence location decisions. We consider which types of problems are best addressed by centralized government and which are best placed in the sphere of more local governments.

Required Readings/Videos
O’Sullivan, Chapter 20.

News and Analysis:

Supplementary

8. The Economics of Zoning and Land Use Regulations
We discuss the economic justification for regulating land use? How do land use regulations help address the externalities of development? What are some of the downsides of regulation, and how can local officials minimize them?

Required Readings/Videos
O’Sullivan, Chapter 16.


News and Analysis:

Videos:

Required Readings/Videos
O’Flaherty, Chapter 13 (through page 376).


**News and Analysis:**

**Supplementary**


**Part III: Economics of Urban Problems**

10. Urban Transportation: Economics of Automobile Use

We discuss the economics of cars and roads, focusing on three different types of externalities: emissions, congestion and accidents. We consider the promise of alternative policy responses to mitigate those externalities.

**Required Readings/Videos**

O’Sullivan, Chapter 18.

News and Analysis:

Videos/podcasts:

Supplementary

11. Climate Change and Cities

We consider the impacts of a range of climate hazards - from extreme heat to severe storms to chronic flooding - on the economic well-being of cities. We also weigh the costs and benefits of budding sustainability initiatives in urban areas, from building decarbonization efforts to electric vehicle infrastructure, and renewable energy technology like wind and solar.

Required Readings/Videos

News and Analysis:

Supplementary


12. Race and Housing

We consider trends in racial segregation and debate the causes of persistent racial segregation. We consider both market and non-market forces, focusing on evidence about discrimination in the housing market. Finally, we explore appropriate policy responses.

Required Readings/Videos

O’Flaherty, Chapter 12.

News and Analysis:

Videos:
“Segregated by Design.”

Supplementary


13. Urban Poverty: The Role of Neighborhoods

We review poverty trends and consider reasons why neighborhood economic and social characteristics might shape the life chances of residents. We discuss how to measure neighborhood effects and review the latest evidence. Finally, we evaluate alternative policies to improve the lives of poor families living in cities.

Required Readings/Videos


News and Analysis:


Supplementary


14. Looking to the Future

In this last class, we consider looming challenges to the future of cities such as global pandemics, working from home, and employment polarization. We consider the benefits and costs of urban density and what it means for the future of cities and their residents.

Required Readings/Videos


News and Analysis:

Required Videos/Podcasts:

Optional Podcasts/Videos:

Supplementary


