

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

P11.2608: Urban Economics  
Spring 2011

Tuesday, 9-10:40  
Room 203, 194 Mercer Street

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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 three take-home assignments, a mid-term exam, and two policy memos. The assignments will combine problems and data analysis (using a spreadsheet program such as excel). I encourage you to work together on these three assignments, but you must submit individual write-ups. The take-home assignments will be graded on a pass-fail basis.

### 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 15th
2. Second assignment (5% of final course grade)  
Due in class 7, Tuesday, March 8
3. Third assignment (5% of final course grade)  
Due in class 9, Tuesday March 29th
4. Midterm exam (40% of final course grade)  
Class 10, Tuesday, April 5th
5. First policy memo (20% of class grade)  
Class 12, Tuesday April 19th
6. Second policy memo (25% of final course grade)  
Due 12:00pm, Friday, May 6th

### 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* (Seventh Edition). Boston: Irwin/McGraw Hill, 1990, 2009.

Students do NOT need to purchase either book in its entirety. The assigned chapters from each textbook are available for sale at the NYU Bookstore. The O'Sullivan chapters are in a customized text. The O'Flaherty chapters are included in the course reader for the class. You may want to call ahead to make sure that they have a packet ready for you (212-998-4860).

Other required articles are posted on the course blackboard site, which you can find at <http://classes.nyu.edu/>. Most of the supplemental readings should be posted on blackboard as well. These supplemental articles are there for your interest and are optional.

## Class Schedule

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

#### 1. Introduction: What is a City and Why Do They Exist? (January 25)

O'Sullivan, Chapter 1.

O'Flaherty, Chapters 1 and 2.

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

United Nations, Department of Economic and Social Affairs, *World Urbanization Prospects: 2009 Revision: Highlights*.

Demographia, "Definition of Urban Terms," <http://www.demographia.com/db-define.pdf>

#### Supplementary

Fujita, Masahita, and Jacques-Francois Thisse, "Formation of Economic Agglomerations: Old Problems and New Perspectives," in *Economics of Cities: Theoretical Perspectives*, ed., Jean-Marie Huriot and Jacques-Francois Thisse. Cambridge, UK: Cambridge University Press, 2000,

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.

#### 2. What Drives Urban Economic Growth? (February 1)

Dunne, Tim. "The Growth of Cities in the Fourth District." *Economic Commentary: Federal Reserve Bank of Cleveland*: 8/1/2007.

Glaeser, Edward, "Urban Colossus: Why is New York America's Largest City?" NBER Working Paper 11398.

Henderson, Vernon, "Urbanization in Developing Countries." *The World Bank Research Observer*, vol. 17, no. 1 (2002), pp. 89-112.

#### 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.

Glaeser, Edward, Jed Kolko, Alberto Saiz, "Consumer City," National Bureau of Economic Research, Working Paper 7790, July 2000.

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

### 3. Why do we Care about Economic Growth? (February 8)

- O'Flaherty, Chapter 18, pp. 517-531.
- Amis, P. and Kumar, S. (2000), "Urban Economic Growth, Infrastructure and Poverty in India: Lessons from Vishakapatnam", *Environment and Urbanisation*, 12 (1): 185-196.
- Bartik, Timothy J., "Who Benefits from Local Job Growth: Migrants or the Original Residents?" *Regional Studies* 27 (1993): 297-311.

#### Supplementary

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

### 4. Urban Economic Growth and State and Local Policy (February 15)

- O'Flaherty, Chapter 18, pp. 531-551.
- Ellen, Ingrid Gould and Amy Ellen Schwartz. "No Easy Answers: Cautionary Notes for Competitive Cities," *The Brookings Review* (Summer 2000): pp. 44-47.
- World Bank, "Dynamic Cities as Engines of Economic Growth," *Entering the 21<sup>st</sup> Century: World Development Reporter, 1999-2000*, pp. 125-138. (Focus especially on pp. 130-138.)

#### Supplementary

- 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 22)

O'Sullivan, Chap 6 and selections from Chap 7, Appendix, pp. 153-160.

Glaeser, Edward, "The Economic Approach to Cities," Working Paper, Harvard Institute for Economic Research, January 2008, pp. 1-10.

#### Supplementary

Cohen, Jeffrey P., and Cletus C. Coughlin, "An Introduction to Two-Tiered Taxation of Land and Buildings," Federal Reserve Bank of St. Louis *Review* May/June 2005, 87(3): 359-374.

<http://www.research.stlouisfed.org/publications/review/05/05/CohenCoughlin.pdf>

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

### 6. Land Use Patterns and Causes of Suburbanization (March 1)

O'Sullivan, Chapter 7.

Bertaud, Alain, "The Spatial Organization of Cities: Deliberate Outcome or Unforeseen Consequence?" Institute of Urban and Regional Development, University of California at Berkeley, Working Paper 2004-01, pp. 1-16.

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. Overview of Local Government (March 8)

O'Sullivan, Chapter 15.

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.

8. The Economics of Zoning (March 22)

O'Sullivan, Chapter 9.

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).

Quigley, John, and Larry Rosenthal. "The Effects of Land Use Regulation on the Price of Housing: What do We Know? What Can we Learn?" *Cityscape* 8(2005), pp. 69-80.

Postrel, Virginia. "A Tale of Two Townhouses," *Atlantic Monthly*. November 2007.

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).

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

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.

9. Economics of Housing Markets (March 29)

O'Flaherty, Chapter 13.

Quigley, John, and Steven Raphael, "Is Housing Unaffordable? Why isn't it More Affordable?" *Journal of Economic Perspectives* 18(2004): 191-214.

Glaeser, Edward, 2010. "Rethinking the Federal Bias Towards Homeownership." Forthcoming, *Cityscape*.

NBER Digest, Superstar Cities, <http://www.nber.org/digest/mar07/w12355.html>

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.

Matlack, Jenna, and Jacob Vigdor, "Do Rising Tides Lift all Prices? Income Inequality and Housing Prices," NBER Working Paper 12331 (2006).

Himmelberg, Charles, Christopher Mayer, and Todd Sinai, "Assessing High House Prices: Bubbles, Fundamentals, and Misperceptions," NBER Working Paper 11643 (2005).

10. IN-CLASS MIDTERM – Tuesday, April 5th

Part III: Economics of Urban Problems

11. Suburbanization and Sprawl: An Assessment (April 12)

- Bertaud, Alain, "The Spatial Organization of Cities: Deliberate Outcome or Unforeseen Consequence?" Institute of Urban and Regional Development, University of California at Berkeley, Working Paper 2004-01, pp. 16-30.
- 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:

- 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.

12. Race and Housing (April 19)

- O'Flaherty, Chapter 12.
- Iceland, John, and Daniel Weinberg, "Racial and Ethnic Residential Segregation in the United States," Census 2000 Special Reports, August 2002, chapters 1, 2, and 7.  
[http://www.census.gov/hhes/www/housing/housing\\_patterns/pdftoc.html](http://www.census.gov/hhes/www/housing/housing_patterns/pdftoc.html)
- 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).

### 13. Urban Poverty: The Role of Space (April 26)

- Ellen, Ingrid Gould, and Margery Austin Turner, "Does Neighborhood Matter? Assessing Recent Evidence," *Housing Policy Debate* 8(4): 833-866. [Read quickly; focus on reasons for why neighborhoods matter.]
- Glaeser, Edward L., "Places, People, Policies: An Agenda for America's Urban Poor," *Harvard Magazine* (November/December 2000): 34-35.
- Goering, John M., Judie Feins, and Todd Richardson. "A Cross-Site Analysis of Initial Moving to Opportunity Results," *Journal of Housing Research* 13(2002): 1-30.
- Kasinitz, Philip, and Jan Rosenberg, "Why Empowerment Zones Won't Work." *The City Journal* 3(1993): 63-71.
- Khan, Mahmud, David Hotchkiss, Andres Berruti, and Paul Hutchinson. "Geographic aspects of poverty and health in Tanzania: does living in a poor area matter?" *Health Policy and Planning* 21(2006).

#### 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).
- 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.

### 14. Looking to the Future (May 3)

- 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.