

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

URPL-GP.2608: Urban Economics
Spring 2016

Tuesday, 9-10:40am, 25W4 Room: C-20
Tuesday, 4:55-6:35pm, GCASL 279

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Office hours: Mondays 5:00-6:00, The Study, Puck Building
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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 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? 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 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). I 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 16th
2. Second assignment (5% of final course grade)
Due in class 7, Tuesday, March 8th
3. Third assignment (5% of final course grade)
Due in class 9, Tuesday March 29th
4. Midterm exam (50% of final course grade)
Class 10, Tuesday, April 5th
5. Fourth assignment (5% of class grade)
Class 12, Tuesday April 19th
6. Policy memo (30% of final course grade)
Due in class 14, Tuesday May 3rd

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

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.

Class Schedule

Part I: Market Forces in the Development of Cities

1. Introduction: What is a City and Why Do They Exist? (January 26)

O'Sullivan, Chapter 1.

O'Flaherty, Chapters 1 and 2.

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

United Nations, Department of Economic and Social Affairs, Population Division (2014). *World Urbanization Prospects: The 2014 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*, eds. Jean-Marie Huriot and Jacques-François Thisse. Cambridge, UK: Cambridge University Press, 2000: 3–73.

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

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

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

Glaeser, Edward L., "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* 17(2002): 89–112.

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

Supplementary

Carlton, Dennis W., "The Location and Employment Choices of New Firms." *Review of Economics and Statistics* 65(1983): 440–449.

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

Glaeser, Edward L., Jed Kolko, and Albert Saiz. "Consumer city." *Journal of Economic Geography* 1(2001): 27–50.

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

3. Why Do We Care About Economic Growth? (February 9)

O’Flaherty, Chapter 18, pp. 517-531.

Bartik, Timothy J., “Who Benefits from Local Job Growth: Migrants or the Original Residents?” *Regional Studies* 27(1993): 297–311.

Greenstone, Michael, Richard Hornbeck, and Enrico Moretti, “Identifying agglomeration spillovers: Evidence from winners and losers of large plant openings.” *Journal of Political Economy* 118(2010): 536–598.

Supplementary

Bartik, Timothy J., “Who Benefits from State and Local Economic Development Policies” W.E. Upjohn Institute for Employment Research.

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(1994): 863–881.

4. Urban Economic Growth and State and Local Policy (February 16)

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* (2000): 44–47.

Moretti, Enrico. *The New Geography of Jobs*. New York, NY: Houghton Mifflin Harcourt, 2012. (Chapter 6. *Poverty traps and sexy cities*).

World Bank, “Dynamic Cities as Engines of Economic Growth,” in *World Development Report 1999-2000: Entering the 21st Century—The Changing Development Landscape* (1999): 125–138. (Focus especially on 130–138.)

Supplementary

Ades, Alberto F. and Edward L. Glaeser, “Trade and Circuses: Explaining Urban Giants.” *The Quarterly Journal of Economics* 110(1995): 195–227.

Bartik, Timothy J., “Jobs, Productivity, and Local Economic Development: What Implications does Economic Research have for the Role of the Government?” *National Tax Journal* 47(1994): 847–861.

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

Ellen, Ingrid Gould, Amy Ellen Schwartz, and Ioan Voicu, “The Impact of Business Improvement Districts on Property Values: Evidence from New York City.” *Brookings Wharton Papers on Urban Affairs*, 2007: 1-39.

Noll, Roger and Andrew Zimbalist. *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums*. Brookings Institution Press, 1997.

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

5. Introduction to Land Rent and Land Use (February 23)

O'Sullivan, Chap 6.

Glaeser, Edward L., "The Economic Approach to Cities." NBER Working Paper 13696.

Supplementary

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

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

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

6. Land Use Patterns and Their Causes (March 1)

O'Sullivan, Chapter 7.

Angel, Shlomo, Jason Parent, Daniel L. Civco, and Alejandro M. Blei, "Making Room for a Planet of Cities." Cambridge, MA: Lincoln Institute of Land Policy, 2011.

Burchfield, Marcy, Henry G. Overman, Diego Puga, and Matthew A. Turner, "Causes of sprawl: A portrait from space." *Quarterly Journal of Economics* 121(2006): 587–633.

NBER Urban Digest, 2016. "Time-Starved Skilled Workers May be Driving Gentrification." Summary of Lena Edlund, et al., Bright Minds, Big Rent: Gentrification and the Rising Returns to Skill (NBER Working Paper No. 21729)

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

Supplementary

Baum-Snow, Nathaniel, "Did Highways Cause Suburbanization?" *Quarterly Journal of Economics* 122(2006): 775–805.

Edlund, Lena, et al. 2015. Bright Minds, Big Rent: Gentrification and the Rising Returns to Skill (NBER Working Paper No 21729).

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

Glaeser, Edward L., Matthew E. Kahn, and Jordan Rappaport, "Why Do the Poor Live in Cities? The role of public transportation." *Journal of Urban Economics* 63(2008): 1–24.

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*, eds. Ken Emerson and John Mollenkopf. New York, NY: Century Foundation Press, 2001.

Smoke, Paul, "Fiscal Decentralization Policy in Developing Countries: Bridging Theory and Reality," in *Public Sector Reform in Developing Countries*, eds. Yusuf Bangura and George Larbi. London, UK: Palgrave MacMillan, 2006.

8. The Economics of Zoning and Land Use Regulations (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): 65–73.

Postrel, Virginia, "A Tale of Two Townhouses," *The Atlantic* (Nov. 2007).
<http://www.theatlantic.com/magazine/archive/2007/11/a-tale-of-two-town-houses/306334/>

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): 69–80.

Supplementary

Been, Vicki, Ingrid Gould Ellen, Michael Gedal, Edward Glaeser, and Brian McCabe. 2016. Preserving History or Restricting Development: The Heterogenous Effects of Historic Districts on Local Housing Markets in New York City. *Journal of Urban Economics*.

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

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

Hilber, Christian and Frédéric Robert-Nicoud, "On the origins of land use regulations: Theory and evidence from US metro areas." *Journal of Urban Economics* 75(2013): 29–43.

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

O'Flaherty, Chapter 8.

9. Economics of Housing Markets (March 29)

O’Flaherty, Chapter 13.

Gyourko, Joseph, Christopher Mayer, and Todd Sinai, “Superstar cities.”

American Economic Journal: Economic Policy.

Quigley, John, “Compensation and Incentives in the Mortgage Business.” *The Economists’ Voice* 5(2008): 1–3.

Quigley, John, and Steven Raphael, “Is Housing Unaffordable? Why Isn’t it More Affordable?” *Journal of Economic Perspectives* 18(2004): 191–214.

Supplementary

Aaron, Henry J., “Chapter One: Rationale for a Housing Policy,” in *Shelter and Subsidies: Who Benefits from Federal Housing Policies*. Brookings Institution, 1972: 3–22.

Glaeser, Edward L. and Joseph Gyourko. “Urban decline and durable housing.” *Journal of Political Economy* 113(2005): 345–375.

Gramlich, Edward. *Subprime Mortgages: America’s Latest Boom and Bust*. Urban Institute Press, 2007: 1–35.

Himmelberg, Charles, Christopher Mayer, and Todd Sinai, “Assessing High House Prices: Bubbles, Fundamentals, and Misperceptions.” NBER Working Paper 11643.

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

Part III: Economics of Urban Problems

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

Angel, Shlomo, Jason Parent, Daniel L. Civco, and Alejandro M. Blei, “Making Room for a Planet of Cities.” Cambridge, MA: Lincoln Institute of Land Policy, 2011.

Brueckner, Jan, “Urban Sprawl: Diagnosis and Remedies.” *International Regional Science Review* 23(2000): 160–171.

Gordon, Peter and Harry W. Richardson, “Prove it: The Costs and Benefits of Sprawl.” *The Brookings Review* (1998): 23–25.

Supplementary:

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

Glaeser, Edward L. and Matthew E. Kahn. “Sprawl and urban growth,” in *Handbook of Regional and Urban Economics*, eds. Vernon Henderson and Jacques-François Thisse. Amsterdam: North-Holland, 2481–2527.

- 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, 35–51.

12. Race and Housing (April 19)

O’Flaherty, Chapter 12.

- De la Roca, Jorge, Ingrid Gould Ellen, and Katherine O’Regan, “Race and Neighborhoods in the 21st Century: What Does Segregation Mean Today?” *Regional Science and Urban Economics*, 47, 138–151, 2014.
- Reid, Carolina, and Elizabeth Laderman, “The Untold Costs of Subprime Lending: Examining the Links Among Higher-Priced Lending, Foreclosures and Race in California.” Community Development Investment Center Working Paper, Federal Reserve Bank of San Francisco.
- Turner, Margery A., Robert Santos, Diane Levy, Douglas Wissoker, Claudia Aranda, and Rob Pitingolo, “Housing discrimination against racial and ethnic minorities 2012” Housing Discrimination Study, U.S. Department of Housing and Urban Development, 2013. (Executive Summary)

Supplementary

- Boustan, Leah Platt, “Was postwar suburbanization ‘white flight’? Evidence from the black migration.” *Quarterly Journal of Economics* 125(2010): 417–443.
- Cutler, David, Edward Glaeser, and Jacob Vigdor, “The Rise and Decline of the American Ghetto,” *Journal of Political Economy* 107(1999): 455–506.
- Ladd, Helen F., “Evidence on Discrimination in Mortgage Lending.” *Journal of Economic Perspectives* 12(1998): 41–62.
- 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*. New York, NY: Russell Sage Foundation, 1995.

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

- Chetty, Raj, Nathan Hendron, and Lawrence Katz. “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project.” *American Economic Review*, forthcoming.
- 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* (Nov/Dec 2000): 34–35.

- Sanbonmatsu, Lisa et al., “The Long-Term Effects of Moving to Opportunity on Adult Health and Economic Self-Sufficiency” *Cityscape* 14(2012): 109–136.
- Sharkey, Patrick, Ingrid Gould Ellen, Johanna Lacoë, and Amy Ellen Schwartz. 2015. “High Stakes in the Classroom, High Stakes on the Street: The Effects of Community Violence on Students’ Standardized Test Performance.” *Sociological Science*.

Supplementary

- Holzer, Harry J., “Black Employment Problems: New Evidence, Old Questions.” *Journal of Policy Analysis and Management* 13(1994): 699–722.
- Kasinitz, Philip and Jan Rosenberg, “Why Empowerment Zones Won’t Work.” *The City Journal* 3(1993): 63–71.
- Kling, Jeffrey R., Jeffrey B. Liebman, and Lawrence F. Katz, “Experimental Analysis of Neighborhood Effects.” *Econometrica* 75(2007): 83–119.
- 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): 41–58.

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 21st Century.” *The Brookings Review* (2000): 12–15.
- Greenstone, Michael and Adam Looney, “An Economic Strategy to Renew American Communities.” Strategy Paper, The Hamilton Project, Brookings Institution, Oct 2010.
- “Gaponomics.” *The Economist*, Mar 2010.

Supplementary

- Glaeser, Edward L. and Jesse M. Shapiro, “Cities and Warfare: The Impact of Terrorism on Urban Form.” *Journal of Urban Economics* 51(2002): 205–224.
- Moretti, Enrico. *The New Geography of Jobs*. New York, NY: Houghton Mifflin Harcourt, 2012. (Chapter 7. *The new human capital century*.)
- Voith, Richard, “Do Suburbs Need Cities?” *Journal of Regional Science* 38 (1998): 445–464.