Urban Economics
Spring 2021

Instructor Information

• Ingrid Ellen (she/her/hers)
• Email: ingrid.ellen@nyu.edu
• Virtual Office Hours: Wednesday 4:00-5:30 or other time by appointment
  https://nyu.zoom.us/j/99418083709
  Meeting ID 994 1808 3709

Course Information

• Class Meeting Times:
  o Tuesday 4:55–6:35pm
• Tutor: Ben Heller, benjamin.heller@nyu.edu
  o Office hours, Monday 5-6:30pm
• Course Tech: Maitri Pujara, mvp329@nyu.edu
• For administrative matters, please contact:
  o Chris Harris
  o Email: christopher.harris@nyu.edu

Course Prerequisites

Students should have completed CORE-GP 1018 (Microeconomics) and should have taken or be
taking CORE-GP 1101 (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 mid-term 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>Assignment</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>
</tr>
<tr>
<td>First Assignment</td>
<td>Feb 23</td>
<td>4%</td>
<td>1, 2</td>
</tr>
<tr>
<td>Second Assignment</td>
<td>March 16</td>
<td>4%</td>
<td>3, 4, 5</td>
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<tr>
<td>Third Assignment</td>
<td>April 6</td>
<td>4%</td>
<td>6, 7, 8, 9</td>
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<tr>
<td>Take-home exam</td>
<td>April 13</td>
<td>50%</td>
<td>1, 2, 3, 4, 5, 6, 7, 8, 9, 11</td>
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<td>Fourth Assignment</td>
<td>April 27</td>
<td>4%</td>
<td>10, 11</td>
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<tr>
<td>Policy memo</td>
<td>May 6</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 Classes each week and post a single response or an additional question. 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 Classes 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 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.

**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 of you and how to abide by the academic code, you should consult with us. For this particular course, there are some specific behaviors required to meet our standards of academic integrity:

Assignments: While we strongly encourage all students to work in groups, 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.

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 and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or mosecsd@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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<td>B+</td>
<td>3.3 points</td>
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<tr>
<td>B</td>
<td>3.0 points</td>
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<tr>
<td>B-</td>
<td>2.7 points</td>
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<tr>
<td>C+</td>
<td>2.3 points</td>
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<tr>
<td>C</td>
<td>2.0 points</td>
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<tr>
<td>C-</td>
<td>1.7 points</td>
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<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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<tr>
<td>Week 1</td>
<td>February 2</td>
<td>Introduction to Course and Cities</td>
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<tr>
<td>Week 2</td>
<td>February 9</td>
<td>What Drives Urban Economic Growth?</td>
<td>Discussion questions</td>
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<tr>
<td>Week 3</td>
<td>February 16</td>
<td>What Drives Urban Economic Growth? (Part 2)</td>
<td>Discussion questions</td>
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<td>Week 4</td>
<td>February 23</td>
<td>Policies to Promote Urban Growth</td>
<td>Discussion questions</td>
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<td>+ Assignment 1 due</td>
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<td>Week 5</td>
<td>March 2</td>
<td>Introduction to Land Rent and Land Use</td>
<td>Discussion questions</td>
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<td>Week 6</td>
<td>March 9</td>
<td>Residential Land Use Patterns</td>
<td>Discussion questions</td>
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<td>Week 7</td>
<td>March 16</td>
<td>Overview of Local Government</td>
<td>Discussion questions</td>
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<td>+ Assignment 2 due</td>
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<td>Week 8</td>
<td>March 23</td>
<td>The Economics of Zoning and Land Use Regulations</td>
<td>Discussion questions</td>
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<tr>
<td>Week 9</td>
<td>March 30</td>
<td>Economics of Housing Markets</td>
<td>Discussion questions</td>
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<td>Week 10</td>
<td>April 6</td>
<td>Urban Transportation: The Economics of Cars and Roads</td>
<td>Discussion questions</td>
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<td>+ Assignment 3 due</td>
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<tr>
<td>Week 11</td>
<td>April 13</td>
<td>Debating Suburbanization and Sprawl</td>
<td>Discussion questions</td>
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<td>+ Take-home Midterm due</td>
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<tr>
<td>Week 12</td>
<td>April 20</td>
<td>Race and Housing</td>
<td>Discussion questions</td>
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<tr>
<td>Week 13</td>
<td>April 27</td>
<td>Urban Poverty: The Role of Neighborhoods</td>
<td>Discussion questions</td>
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<td>+ Assignment 4 due</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 (through page 23).
Demographia, “Definition of Urban Terms.”

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

**Supplementary**

2. Drivers of Urban Economic Growth: Agglomeration and Firms
We discuss the appeal of cities as places to produce. 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**
O’Flaherty, Chapter 2 (full chapter).

News and Analysis:

Videos:
Innovation in India (Bangalore), CitiesX: The Past, Present and Future of Urban Life.

Supplementary

3. Drivers of Urban Economic Growth: Demand for Urban Living
We discuss the appeal of cities as places to live. 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 whether cities are increasingly places of consumption.

Required Readings/Videos
O’Flaherty, Chapter 18, pp. 517-526.

News and Analysis:

Supplementary
Kahn, Matthew, “The Sliver Lining of Rust-Belt Manufacturing Decline,” Journal of Urban
4. Urban Economic Growth and State and Local Policy

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 growths.

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

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.

Required Readings/Videos
O’Sullivan, Chapter 10, focus on pp. 141-144.
O’Flaherty, Chapter 6, pp. 116-130 and 137-142 only.

News and Analysis:

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

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 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:**


**Supplementary**


9. Economics of Housing Markets

We explore the characteristics that make housing a unique commodity. We learn about ways to measure housing price, rents, and affordability, and explore what has driven their trends over time. Finally, we consider how government intervenes in housing markets, and what the justification is for such action.

**Required Readings/Videos**


**News and Analysis:**


**Supplementary**

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. Urban Sprawl and the Challenges of Urban Growth

We discuss how to define urban sprawl and debate whether it represents a market failure. We consider the winners and losers and evaluate approaches to counteract it.

Required Readings/Videos
Brueckner, Jan, “Urban Sprawl: Diagnosis and Remedies.” International Regional Science...
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
Boustan, Leah Platt, “Was postwar suburbanization ‘white flight’? Evidence from the black

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 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:

Videos/Podcasts:

Supplementary