

The Philadelphia Center IDS 368 Urban Economics

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Tuesdays 6-9pm
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This course examines and applies economic theory to urban and metropolitan issues, focusing primarily on our own laboratory: Philadelphia.

Urban Economics deals with the intersection of microeconomics and geography; it adds a spatial/location component to standard microeconomic theory. The goals of the course are to help the student understand: (1) the fundamental workings of an urban economy, (2) economic incentives and public policies influencing the growth or decline of urban economies, and (3) the basis for intelligent discussion of interesting urban and regional economic and social issues. We begin with a classic microeconomic framework showing how the location decisions of utility-maximizing households and profit-maximizing firms, and show how these decisions cause the formation of cities of different size and shape, and what kinds of patterns, benefits and problems emerge. I assume some prior knowledge of economics and simple Supply and Demand analysis.

The initial class format covering theory will be lecture with some discussion, and we will possibly have outside speakers to give more in-depth looks into certain topics, and we may be able to arrange “field trips”. There will be reading and written assignments for the second half of the course, the students will use what you’ve learned and be more active in analyzing urban issues and public policy attempts to deal with them, for in class presentations and discussion. The course will run as a seminar divided into the six sections of the text. In the first class, we will identify and briefly discuss a wide range of urban “issues,” to guide our study for the semester. Please come prepared to discuss.

Textbooks:

Urban Economics, Arthur O’Sullivan 8th ed. McGraw Hill Irwin 2009

Triumph of the City, Edward Glaeser, Penguin Press, 2011

Additional Readings:

The Return of America’s Cities: Economic Rebound and the Future of America’s Urban Centers, Richard Voith and Susan Wachter, Penn IUR, 2014 (online: <http://penniur.upenn.edu/publications/the-return-of-americas-cities>)

Interesting overview: http://www.city-journal.org/2013/23_1_urban-economics.html

Course Requirements:

Your grades will be determined by your performance in each of the following:
In-class discussion participation (30%)

Weekly written/mini-research assignments/current issues (70%)

First assignment, due at first class: **Introductory Letter:**

Each student should write a letter introducing yourself and telling me about your background, interests (including interests and any experience in urban policy and economics), what you hope to learn about in the class, and anything else you think I should know about you.

Course Outline:

(Weeks, Chapters, Illustrative issues---lots of reading, but we'll go over key points)

Weeks 1-2 Part I (Chapters 1-5) Economic (Market) Underpinnings

- What is Urban Economics? Concepts of Efficiency and Equity.
 - What are cities and why do they exist? (Historical and now)
- Why do cities vary in size and growth rates? How do we measure cities' growth & performance?
- What causes urban growth and decline?
- Who benefits from urban growth?

Weeks 3-4 Part II (chapters 6-9) Real Estate Markets and Land Use

- Why does the price of land vary within cities?
- Why do people and firms build up instead of out?
- What are the consequences of race and income segregation?
- What are the effects of land-use controls and zoning?

Week 5 Part VI (Chapters 16-17) Role of Local Government

- What is the rationale for the USA's fiscal federalism?
- Public choice: Does majority rule generate efficient allocations and fair distributions?
- Who bears the burden of the property tax, and other local taxes?
 - Tiebout/Homeowner Hypothesis
 - Location decision-making

Week 6 Part III (Chapters 10-11) Urban transportation and transit systems.

- What is the role of transportation in general and mass transit in particular?
- Cost benefit analysis: externalities, infrastructure

Weeks 7-13 Parts IV & V (Chapters 12-15) Big Issues: Education/Poverty/Crime/Housing/Redevelopment/Economic Development/Environment

- Key issues in urban public education
- Is there an optimum level of crime?
- How effective is education in reducing crime?
- Why are poverty rates higher in large cities?
- Why is housing different from other goods?
- What is public housing, low income housing, "affordable" housing and "workforce" housing?
- What is economic development and what are appropriate economic development policies?
- Environmental issues in urban