

**URBAN ECONOMICS
SYLLABUS**

Course code: Econ 3320
Term: Spring 2015
Location: Tilton 305
Time: TuTh 2:00–3:15 P.M.
Website: <http://econ.tulane.edu/kfinlay/econ3320>
Credit: 3 undergraduate credit hours

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Office hours: Office hours are by appointment only, but appointments are available almost every weekday. You can make an appointment online: <http://kfinlay.ycb.me>.

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 housing, crime, and inner-city economic development. The fourth set of questions examine the spatial aspects of local government policy and explore the relationships between city, suburban, and state governments.

After discussing these topics generally, we will apply them to a discussion of New Orleans and its economic redevelopment after Hurricane Katrina.

PREREQUISITES

The prerequisites for this course are introductory microeconomics and high school-level algebra and geometry. Some familiarity with statistics or econometrics will be helpful.

COURSE OBJECTIVES

The objectives of this course are for students to gain an economic understanding of:

- why cities exist,
- why firms within and across industries cluster,
- why cities grow or decline,
- how prices for land are determined,

- how local governments provide public goods, and
- why some social ills are concentrated in cities.

A final objective of this course is for students to be capable of applying the topics above to questions of urban economic development, especially in New Orleans.

PROGRAM OUTCOMES

This course contributes to the outcomes of the economics major by teaching students how to use the tools of microeconomics to explain a variety of urban economic phenomena. The course is also useful to urban studies students who wish to learn the economic approach to analyzing urban development.

LEARNING OUTCOMES

After completing this course, students will be able to use the tools of microeconomics to explain a variety of urban economic phenomena.

EVALUATION CRITERIA

Course objectives are measured through the course assignments that assess acquired substantive knowledge and analytical ability via written work. See below under **COURSE ASSIGNMENTS AND GRADES** and **EXAMS**.

TEXT AND READING MATERIALS

The required textbook for this course is

O'Flaherty, Brendan. 2005. *City Economics*. Cambridge: Harvard University Press.

In addition to the textbook, there will be about thirty other readings, all of which will be available through the course website. It is your responsibility to keep track of the schedule of readings, which will be updated throughout the semester. Some of the readings are technical pieces from economics journals. The degree to which a student needs to be familiar with the details of a paper will be clear from the emphasis given to the paper in lecture.

COURSE ASSIGNMENTS AND GRADES

Final course grades will be based on the following breakdown:

- Problem sets (3 [of 5] × 5%)
- Reading quizzes (3 [of 5] × 5%)
- Midterm exam (30%)
- Final exam (40%)

There will be five problem sets, and you will receive credit for the three highest grades. You are required to hand in written or typed solutions to the problem sets. Students are permitted and encouraged to work together on problem sets. But because the material on problem sets will be similar to that on the exams, it is critical that you understand the material independently. Problem set solutions will be distributed when the problem sets are handed in, so no late work will be accepted. No extra credit will be offered.

To provide an incentive for students to do the non-textbook readings, there will be five unannounced quizzes. Quizzes will start at the beginning of class and be due at 9:35 a.m. I will drop the lowest two quiz scores.

EXAMS

The exams may cover any material from the course: assigned readings in the text, other assigned readings, and any additional material that I cover in lecture. There will be one midterm exam on **Thursday, February 26**. Students will be excused from the midterm exam only for valid medical or family emergencies. These excuses must be identified before the midterm and students must produce signed evidence verifying the reason why they cannot attend. If it is missed for a valid reason, weight will be reassigned from the final exam; otherwise, zero credit will be given.

The final exam is scheduled for **Wednesday, May 6 from 1:00–4:00 P.M.** The final exam will cover material from the entire semester. No makeup final exams will be allowed. If you will not be available during this time, please enroll in another course.

Students may ask that an exam be regraded if they feel that a mistake has been made, by giving me a request in writing explaining their reasoning. The entire exam will be regraded and, after re-reading the exam, the grade may rise or fall. Regrading will only be available for students who take their exams in pen (as opposed to pencil). Of course, if a simple mistake has been made in adding up points, students should bring this to my attention and the grade will be changed.

SUPPLEMENTARY RESEARCH PAPER FOR HONORS CREDIT

Students who wish to take this course for honors credit must complete a supplementary research paper. The paper is due the last day of class. Late papers may be read, but will receive a grade of zero. Your 15–20 page research paper should include:

- quantitative analysis of a research question on some kind of urban issue,
- a hypothesis of what economists would think about this urban issue,
- an analysis based on economic theory—hopefully something we have covered in class,
- this should lead you to a short literature review, and
- an answer to your research question; explain how the quantitative data answers the question you posed.

A proposal for your paper topic is due the day of the midterm exam. To make sure that you have started on the right track, this proposal should include:

- your research question,
- any necessary background so that I can understand your research question; if you are writing about a policy or program, be sure to explain what it is, and
- some information on how you plan to quantify things by collecting data (finding something interesting to quantify is a substantial part of what makes a good paper; if you are unsure about what to do, or have an idea but are unsure how to quantify it, come see me).

The research paper will be worth 20% of the final grade, with the remaining 80% allocated according to the relative breakdown given in the section **COURSE ASSIGNMENTS AND GRADES**.

CLASS SCHEDULE

I will be traveling for work on Thursday, April 9, so class on this day will be canceled.

ACADEMIC HONESTY

All students must be familiar with and abide by Tulane's Code of Academic Conduct, which is available online at <http://tulane.edu/college/code.cfm>. I take matters of academic honesty very seriously. A student who commits academic dishonesty disrespects the hard work of his classmates. Any student found cheating, plagiarizing, or colluding during the course will be referred to the Associate Dean of Newcomb-Tulane College. If you fall behind in your coursework and even feel tempted to be dishonest, please see me first so that we find a way for you to turn in your work late (but with some penalty). That said, students are encouraged to study together and to collaborate on homework, although each student must write up her own homework.

SCHEDULE OF TOPICS AND READINGS

This is a list of broad topics and the individual readings we will cover. Links to the readings can be found at the end of the syllabus.

- **Why do cities exist?** (2 lectures)
 - Economist (2007b)
 - O'Flaherty (2005, Ch. 1: Introduction)
- **Where do cities develop and why do they grow?** (4 lectures)
 - Strange (2008)
 - Davis and Weinstein (2002)
 - Jacobs (1992, Chapters 7-8)
 - Saxenian (1996)
 - O'Flaherty (2005, Ch. 18: Urban Economic Development)
 - Greenstone et al. (2010)
- **Land rent and land-use patterns** (4 lectures)
 - O'Flaherty (2005, Ch. 6: Land)
 - Albouy (2012, stop at p. 19)
- **Suburbanization, sprawl, and efficiency** (3 lectures)
 - O'Flaherty (2005, Ch. 7: Too Many Cars? Too Much Lawn? Too Much Blight?)
 - Fishman (2000)
 - Duany et al. (2010, Chapter 7)
 - Gordon and Richardson (1998)
- Midterm exam (Thursday, February 26)
- **Housing markets and policy** (5 lectures)
 - O'Flaherty (2005, Ch. 13: Housing: The Big Picture)
 - O'Flaherty (2005, Ch. 14: Housing and Poor People)
 - O'Flaherty (2005, Ch. 15: Homelessness)
 - Quigley and Raphael (2004)
- **Local public finance** (5 lectures)
 - O'Flaherty (2005, Ch. 8: Rules)

- O’Flaherty (2005, Ch. 9: Water, Sewers, Fire, and Garbage)
- O’Flaherty (2005, Ch. 10: Education)
- McDonald and McMillen (2011)
- Bartik (1990)
- Guthrie and Fan (2013)
- **Urban poverty, sorting and segregation, crime, and effects of neighborhood** (5 lectures)
 - O’Flaherty (2005, Ch. 11: Race and Space)
 - O’Flaherty (2005, Ch. 12: Race and Policy)
 - O’Flaherty (2005, Ch. 16: Crime)
 - O’Flaherty (2005, Ch. 17: Drugs, Guns, and Alcohol)
 - Ludwig et al. (2012)
- **Transportation** (3 lectures)
 - O’Flaherty (2005, Ch. 3: Cars, Pollution, and Accidents)
 - O’Flaherty (2005, Ch. 4: Congestion)
 - O’Flaherty (2005, Ch. 5: Mass Transit)
 - Shoup (Fall 1997)
 - Leape (2006)
- **New Orleans applications** (6 lectures)
 - Economist (2007a)
 - Plyer and Ortiz (2011)
 - Glaeser (2005)
 - Russell (2005)
 - Hahn (2005)
 - Marshall (2012)
 - Popkin et al. (2006)
 - Carr (2008, read all articles)
 - Ladd (2002)
 - Tough (2008)
 - Lopez (2013)
 - Duany (2007)
- Final exam (Wednesday, May 6 from 1:00–4:00 P.M.)

ARTICLES AND BOOKS ON THE SYLLABUS

Albouy, David. 2012. Are Big Cities Bad Places to Live? Estimating Quality of Life across Metropolitan Areas. Mimeo.

<http://davidalbouy.net/improvingqol.pdf>

Bartik, Timothy J. 1990. The Market Failure Approach to Regional Economic Development Policy. *Economic Development Quarterly* 4(4): 361–70.

<http://econ.tulane.edu/kfinlay/readings/BartikFailure.pdf>

Carr, Martha. 2008. The Times-Picayune Blight Series. *Times-Picayune* 24 November 2008: (Multiple articles).

http://www.nola.com/news/index.ssf/2008/11/the_timespicayune_blight_serie.html

Davis, Donald R. and David E. Weinstein. 2002. Bones, Bombs, and Break Points: The Geography of Economic Activity. *American Economic Review* 92(5): 1269–1289.

<http://dx.doi.org/10.1257/000282802762024502>

Duany, Andres. 2007. New Orleans: The Wealthiest City of the Caribbean. *Business Week* 26 February 2007.

http://www.businessweek.com/printer/articles/282778-new-orleans-the-wealthiest-city-of-the-caribbean-type=old_article

Duany, Andres, Elizabeth Plater-Zyberk, and Jeff Speck. 2010. *Suburban Nation: The Rise of Sprawl and the Decline of the American Dream*. North Point Press.

http://econ.tulane.edu/kfinlay/readings/duany_suburbannation_ch7.pdf

Economist. 2007a. The Reinvention Test. *Economist* 3 May 2007.

<http://www.economist.com/node/9070663/print>

———. 2007b. The World Goes to Town. *Economist* 3 May 2007.

<http://www.economist.com/node/9070726/print>

Fishman, Robert. 2000. The American Metropolis at Century's End: Past and Future Influences. *Housing Policy Debate* 11(1): 199–213.

http://www.shrinkingcities.com/fileadmin/shrink/downloads/pdfs/WP-Band_III_Detroit.pdf

Glaeser, Edward L. 2005. Should the Government Rebuild New Orleans, Or Just Give Residents Checks? *Economists Voice* 2(4): Article 4.

<http://dx.doi.org/10.2202/1553-3832.1121>

Gordon, Peter and Harry W. Richardson. 1998. Prove It Prove It: The Costs and Benefits of Sprawl. *Brookings Review* 16(4): 23–26.

<http://www.brookings.edu/~media/research/files/articles/1998/9/fall-metropolitanpolicy-gordon/gordon2.pdf>

Greenstone, Michael, Richard Hornbeck, and Enrico Moretti. 2010. Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings. *Journal of Political Economy* 118(3): 536–98.

<http://www.jstor.org/stable/10.1086/653714>

Guthrie, Andrew and Yingling Fan. 2013. Streetcars and Recovery: An Analysis of Post-Katrina Building Permits around New Orleans Streetcar Lines. *Journal of Planning Education and Research* 33(4): 381–394.

<http://jpe.sagepub.com/content/33/4/381.abstract>

Hahn, Robert W. 2005. The Economics of Rebuilding Cities: Reflections after Katrina. *Economists' Voice* 2(4): Article 1.

<http://dx.doi.org/10.2202/1553-3832.1120>

Jacobs, Jane. 1992. *The Death and Life of Great American Cities*. Vintage.

http://econ.tulane.edu/kfinlay/readings/jacobs_deathandlife_ch78.pdf

Ladd, Helen F. 2002. School Vouchers: A Critical View. *Journal of Economic Perspectives* 16(4): 3–2.

<http://dx.doi.org/10.1257/089533002320950957>

Leape, Jonathan. 2006. The London Congestion Charge. *Journal of Economic Perspectives* 20(4): 157–176.

<http://dx.doi.org/10.1257/jep.20.4.157>

Lopez, Adriana. 2013. America's New Frontier For Business Opportunity. *Forbes* 3 January 2013.

<http://www.forbes.com/sites/adrianalopez/2013/01/03/americas-new-frontier-for-business-opportunity>

Ludwig, Jens, Greg J. Duncan, Lisa A. Gennetian, Lawrence F. Katz, Ronald C. Kessler, Jeffrey R. Kling, and Lisa Sanbonmatsu. 2012. Neighborhood Effects on the Long-Term Well-Being of Low-Income Adults. *Science* 337(6101): 1505–10.

<http://www.sciencemag.org/content/337/6101/1505.abstract>

Marshall, Bob. 2012. Hurricane Isaac Lays Bare the Painful Economics of Flood Protection. *Times-Picayune* 2 September 2012.

http://www.nola.com/hurricane/index.ssf/2012/09/hurricane_isaac_lays_bare_the.html

McDonald, John F. and Daniel P. McMillen. 2011. Economics of Zoning. In Nancy Brooks, Kieran Donaghy, and Gerrit-Jan Knaap, editors, *Handbook of Urban Economics and Planning*, chapter 19. Oxford University Press.

http://econ.tulane.edu/kfinlay/readings/McDonald_Zoning.pdf

O'Flaherty, Brendan. 2005. *City Economics*. Cambridge, MA: Harvard University Press.

<http://www.amazon.com/City-Economics-Brendan-OFlaherty/dp/0674019180>

Plyer, Allison and Elaine Ortiz. 2011. New Orleans Index. Brookings Institution.

<http://www.gnocdc.org/TheNewOrleansIndexAtEight>

Popkin, Susan J., Margery Austin Turner, and Martha R. Burt. 2006. Rebuilding Affordable Housing in New Orleans: The Challenge of Creating Inclusive Communities. Urban Institute.

http://www.urban.org/UploadedPDF/900914_affordable_housing.pdf

Quigley, John M. and Steven Raphael. 2004. Is Housing Unaffordable? Why Isn't It More Affordable? *Journal of Economic Perspectives* 18(1): 191–214.

<http://dx.doi.org/10.1257/089533004773563494>

Russell, Lars. 2005. Living It Up Somewhere Near the University of Washington a Houseful of College Students From New Orleans Is Spending Their FEMA Checks on Blown-Glass Bongs, Badminton Nets, and Beer. Got a Problem With That? *Stranger* 10 Nov 2005.

<http://www.thestranger.com/seattle/living-it-up/Content?oid=25131>

Saxenian, AnnaLee. 1996. Inside-Out: Regional Networks and Industrial Adaptation in Silicon Valley and Route 128. *Cityscape: A Journal of Policy Development and Research* 2(2): 41–60.

<http://www.huduser.org/Periodicals/CITYSCPE/VOL2NUM2/saxenian.pdf>

Shoup, Donald C. Fall 1997. The High Cost of Free Parking. *Journal of Planning Education and Research* 17(1): 3–20.

<http://shoup.bol.ucla.edu/HighCostFreeParking.pdf>

Strange, William C. 2008. Urban Agglomeration. In Steven N. Durlauf and Lawrence E. Blume, editors, *The New Palgrave Dictionary of Economics*. Palgrave Macmillan.

http://www.dictionaryofeconomics.com/article?id=pde2008_U000064

Tough, Paul. 2008. A Teachable Moment. *New York Times Magazine* 17 August 2008.

http://econ.tulane.edu/kfinlay/readings/tough_teachablemoment.pdf