

**University of Louisville**  
**School of Urban and Public Affairs**  
**PADM 640/PLAN 500 - Urban Economics**  
**Tuesday 5:30 pm, USI 200**

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Office Hours: Tuesday and Wednesday 4:00 pm to 5:15 pm

***Course Prerequisites:***

Principles of Microeconomics and Introductory Statistics (with basic regression analysis).

***Course Description:***

This course is required for graduate students pursuing a Master's degree in Urban Planning as well as for Ph.D. students in Urban and Public Affairs. It provides the student with an introduction to urban economics. Urban economics is at the intersection of economics and geography, and as such, focuses on the spatial dimension of economic behavior in the city.

***Learning Objective:***

- To help future urban planners, public policy analysts and Ph.D. recipients in Urban and Public Affairs to appreciate the spatial dimension in economic behavior.
- To introduce students to location theory and the monocentric city model.
- To familiarize students with economic concepts applied to urban issues.
- To give students an understanding of the spatial aspects in the context of urban issues.
- To provide students with the economic tools to analyze urban policies.
- To expose students to original research in the field of urban economics.
- To prepare students for empirical research in urban studies.

### ***Teaching Style, Attendance and Learning Requirements:***

The meetings will be a mix of lecture at the board, hands-on exercise and, hopefully a lot of discussions. There may be also some work in the computer lab. While I do not require excuses for missed classes, I strongly recommend that you come to class regularly, and if you cannot attend, that you get the notes from a class mate. I am convinced that the nature of the presented material makes attendance self-enforcing. I will not accept under any circumstance the excuse that you have missed a certain class.

The way how economists think may be very unfamiliar to you, since the center of any economic argument is an economic model. You will be only able to master the material if you do all the readings and get a lot of practice. This is the reason why I will give you homework assignments and a take-home midterm. Do not wait until the last day to work on the assignments. Chances are that the product will not be as good as it could be.

While I encourage learning in groups, you are required to do both your assignments as well as the take-home exam individually. However, you are allowed to discuss the general concepts with your fellow students. And, the very last project will be group work.

An average student should in general expect to spend at least three times the classroom time outside of the classroom (more is better). That would be about 7.5 hours a week additionally to the class meetings (10 hours total). Keep that in mind if you plan to work additionally.

Warning: Economics, just like Statistics, is also not conducive to binge-working – you will get lost!

I am aware that everybody's time budget is limited, but at the same time, one makes choices concerning the use of one's time (including paid work). The amount of time spent on studying and group work will likely be reflected in the final grade, and as such, provide future employers with a sense of how important the class was to the student.

### ***Readings:***

This course is heavy on readings and you will spend several hours a week just reading. I require you to read one to three articles per week (27 pieces in 14 weeks). Some of them are difficult to understand, but all of them are very insightful. It is very important for you to be an active reader and to keep up with the readings. If you start to fall behind, it will be very difficult for you to catch up again.

While I do not plan to test you on the readings, there are important if you want to follow the lecture and participate in the discussions. If I get the feeling that you, as a group, do not keep up with the readings with the result that founded in-class discussions become impossible, I will start to give you quizzes on the readings. The grading will be just minus points to the overall points, i.e. every quiz will have one question, and if I have the feeling you did not read the article, you get one point deducted from the final grade. I hope I won't have to do this.

### ***Grading:***

The final grade consists of the following:

1. Four homework assignments, each 15 points (60 points)
2. Take-home midterm (15 points)
3. Open-book final exam (20 points)
4. Participation (5 points)

While some exam questions will be problems, most assignments and exams will have essay questions. However, to answer these questions you have must apply the models your have learnt. My grading approach for essay questions is as follows: Good/average work will be graded at 8.5 (B+), very good work at 9.5 (A), inferior work at 7.5 (B-) and very bad work at 6.5 (C). In addition I may deduct 0.5 for sloppy work, or add 0.5 for very good presentation. Therefore, it will be possible to get 10 points for perfect work. In the grading process, I will compare the work of all students in an attempt to groups them. I do not, however, curve. Especially perfect work will be held to an absolute standard.

All assignments are due before the class starts! I do not want you to miss a lecture just to finish an assignment. For late work I will deduct 1 point grade for the first week, after that I will not accept the work anymore.

I am convinced that every student who spends the necessary time for studying and does all the assigned work with care will be able to pass the course, especially because I have a relaxed grade scale:

A+: 96 – 100; A: 91 – 95; A-: 86 – 90;  
B+: 81 – 85; B: 76 – 80; B-: 71 – 75;  
C+: 66 – 70; C: 61 – 65, C-: 56 – 60,  
D: 51 – 65; F ≤ 50.

### ***Academic Integrity:***

It is expected that a student in the Graduate School will refrain from plagiarism and cheating. Plagiarism and cheating are serious breaches of academic conduct and may result in permanent dismissal. Each student is advised to become familiar with the various forms of academic dishonesty as explained in the Code of Student Rights and Responsibilities. A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. Any proven plagiarism will result in failure of the course and will be reported to the committee on student discipline for further action, including notice in the permanent record, dismissal or expulsion.

### ***Disability Statement:***

All students with a disability who require special accommodations to participate in and complete this course must contact the Disability Resource Center (852-6938) for verification of eligibility and for determination of specific accommodation.

***Important Dates:***

The due dates of all assignments will be printed on the assignment.

January 23: NO CLASS!!!

February 13: Take-home midterm.

February 20: Return take-home midterm.

February 26: Last day to withdraw (by then you will know your midterm grade).

May 1: Open-book final exam.

**I reserve the right to change the syllabus when necessary.**

Cities for Studies 1 to 5:

- Albuquerque, NM
- Omaha, NE
- Oklahoma City, OK
- San Antonio, TX
- Columbia, SC
- Birmingham, AL
- Memphis, TN
- Nashville, TN
- Des Moines, IA
- Charlotte, NC
- Knoxville, TN
- Norfolk, VA
- Greensboro, NC
- Wichita, KS
- Richmond, VA
- Little Rock, AR
- Tulsa, OK
- Jackson, MS
- Boise, ID

### Proposed Course Plan

Week 1	Location! Location! Location!	Introduction into the analysis of space?	
Week 2	Why Do Cities Exist?	Agglomeration Economies	Study 1: Why does your city exist?
Week 3	Where do Cities Exist?	Location Theory	
Week 4	Urban Spatial Structure	Von Thünen Model Land Use in a Monocentric City	
Week 5	Applications and Extensions of Monocentric City Model		Study 2: Density gradient
Week 6	Urban Growth and City Size		
Week 7	Location Lost and Rediscovered	New Economic Geography	
Week 8:	Neighborhood Choice and Zoning		Study 3: Hedonic housing model
Week 9	Urban Housing Policy & Urban Revitalization		
Week 10	Urban Issues: Poverty, Education & Crime		
Week 11	Urban Competition: Labor Market, Migration and Amenities		Study 4: Hedonic wage model
Week 11	Transportation (optional)		
Week 13	Local Government		
Week 14	Bringing Everything Together:	Regional Economic Development	Study 5: City ranking exercise

**Literature:** (\* required reading)

A. Textbooks: (\*\* required textbook)

\*\*Krugman, Paul. 1991. *Geography and Trade*. MIT Press, Cambridge, MA. [G&T]

McCain, Philip. 2001. *Urban and Regional Economics*. Oxford University Press, Oxford, UK [RUE]

\*\*O'Sullivan. 2007. *Urban Economics*. 6<sup>th</sup> Ed. McGraw-Hill Irwin, Boston, MA. [UE]

B. Introduction into Urban Economics:

**UE Chapter 1.**

\*Thompson, Wilbur. 1968. "The City as a Distorted Price System". *Psychology Today* 8.

\*Wyly, Elvin K., Norman J. Glickman and Michael L. Lahr. 1998. "A Top 10 List of things To Know About American Cities". *Cityscape* 3 (3).

C. Agglomeration, Location Theory and New Economic Geography:

**G&T pp. 1 – 100, URE Chapters 1 & 2, UE Chapters 2 & 3.**

\*Isard, Walter. 1948. "Some Locational Factors in the Iron and Steel Industry since the Early Nineteenth Century". *Journal of Political Economy* 56 (3).

Krugman, Paul. 1991. "History and Industry Location: The Case of the Manufacturing Belt". *The American Economic Review* 81 (2).

Krugman, Paul. 1998. "Space: The Final Frontier". *The Journal of Economic Perspective* 12 (2).

\*Rosenthal, Stuart S. and William C. Strange. 2005. "The Geography of Entrepreneurship in the New York Metropolitan Area". *RFBNY Economic Policy Review* 12.

Rosenthal, Stuart S. and William C. Strange. 2003. "Geography, Industrial Organization and Agglomeration". *Review of Economics and Statistics* 85 (2).

D. Urban Land Use and the Monocentric City Model:

**UE Chapters 6 & 7.**

Anas, Alex, Richard Arnott and Kenneth A. Small. 1998. "Urban Spatial Structure". *Journal of Economic Literature* 36 (3).

\*Brueckner, Jahn K.. 2000. "Urban Sprawl: Diagnosis and Remedies". *International Regional Science Review* 23 (2).

\*Mieszkowski, Peter and Edwin S. Mills. 1993. "The Causes of Metropolitan Suburbanization". *The Journal of Economic Perspective* 7 (3).

\*Mills, Edwin S. and Luan Sende Lubuele. 1997. "Inner Cities". *Journal of Economic Literature* 35 (2).

Samuelson, Paul A. 1983. "Thunen at Two Hundred". *Journal of Economic Literature* 21 (4).

E. Urban Growth and Optimal City Size:

**UE Chapters 4 & 5.**

\*Glaeser, Edward L. 1998. "Are Cities Dying?" *The Journal of Economic Perspective* 12 (2).

Glaeser, Edward L. 1992. "Growth in Cities". *The Journal of Political Economy* 100 (6).

\*Quigley, John M. 1998. "Urban Diversity and Economic Growth". *The Journal of Economic Perspective* 1 (2).

F. Neighborhood Choice and Zoning:

**UE Chapter 8 & 9.**

\*Ihlanfeld, Keith R. 2004. "Exclusionary Land-use Regulations within Suburban Communities: A Review of the Evidence and Policy Prescriptions". *Urban Studies* 41 (2).

\*Tiebout, Charles M. 1956. "A Pure Theory of Local Public Expenditure". *The Journal of Political Economy* 64 (5).

G. Housing Policy and Urban Revitalization:

**UE Chapter 13 & 14.**

\*Smith, Lawrence B, Kenneth T. Rosen and George Fallis. 1988. "Recent Developments in Economic Models of Housing Markets". *Journal of Economic Literature* 26 (1).

\*Kain, John F. and John M. Quigley. 1970. "Measuring the Value of Housing Quality". *Journal of the American Statistical Association* 65.

H. Urban Issues: Poverty, Education and Crime

**UE Chapter 12.**

DiIulio, John J. Jr. 1996. "Help Wanted: Economists, Crime and Public Policy". *The Journal of Economic Perspective* 10 (1).

Ehrlich, Isaac. 1996. "Crime, Punishment, and the Market for Offenses". *The Journal of Economic Perspective* 10 (1).

Ihlanfeld, Keith R. and David L. Sjoquist. 1990. "Job Accessibility and Racial Differences in Youth Employment Rates". *American Economic Review* 80 (8).

\*Krueger, Alan B. and Mikael Lindahl. 2001. "Education for Growth: Why and For Whom?" *Journal of Economic Literature* 39 (4).

Ladd, Helen F. 2002. "School Vouchers: A Critical View". *The Journal of Economic Perspective* 16 (4).

\*Levitt, Steven D. 2004. "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not". *The Journal of Economic Perspective* 18 (1).

Sawhill, Isabelle V. 1988. "Poverty in the U.S.: Why Is It so Persistent?" *Journal of Economic Literature* 26 (3).

\*Teitz, Micheal B. 1998. "The Causes of Inner-City Poverty: Eight Hypotheses in Search of Reality". *Cityscape* 3 (3).

Witte, Ann D. 1996. "Urban Crime: Issues and Policies". *Housing Policy Debate* 7 (4).

Yinger, John. 1998. "Evidence on Discrimination in Consumer Markets". *The Journal of Economic Perspective* 12 (2).

I. Labor Market, Migration and Urban Amenities:

**URE Chapter 5.**

Cushing, Brian and Jacque Poot. 2004. Crossing Boundaries and Borders: Regional Science Advances in Migration Modelling". *Papers in Regional Science* 83 (1).

\*Blomquist, Glenn C., Mark C. Berger and John P. Hoehn. 1988. "New Estimates of Quality of Life in Urban Areas". *The American Economic Review* 78 (1).

\*Kahn, Matthew E. 1995. "A Revealed Preference Approach for Ranking City Quality of Life". *Journal of Urban Economics* 38.

\*Graves, Philip E., Michelle M. Arthur and Robert L. Sexton. 1999. "Amenities and the Labor Earning Function," *Journal of Labor Research* 20 (3).

J. Transportation:

**UE Chapters 10 & 11.**

K. Local Government, Public Goods and Taxation:

**UE Chapters 15 & 16.**

\*Donahue, John D. 1997. "Tiebout? Or Not Tiebout? The Market Metaphor and America's Devolution Debate". *The Journal of Economic Perspective* 11 (4).

Fischel, William A. 1992. "Property Taxation and the Tiebout Model: Evidence for the Benefit View from Zoning and Voting". *Journal of Economic Literature* 30 (1).

\*Graves, Philip E. 2003. "Nonoptimal Levels of Suburbanization". *Environment and Planning A* 11 (2).

Mieszkowski, Peter and George R. Zodrow. 1989. "Taxation and the Tiebout Model: The Differential Effects of Head Taxes on Land Rents and Property Taxes". *Journal of Economic Literature* 27 (3).

\*Oates, Wallace E. 1999. "An Essay on Fiscal Federalism". *Journal of Economic Literature* 37 (3).

L. Regional Economic Development:

\*Bartik, Timothy J. 1994. "Jobs, Productivity, and Economic Development: What Implications does Economic Research Have for the Role of Government?" *National Tax Journal* 47 (4).

\*Rubin, Herbert. 1988. "Shoot Anything That Flies, Claim Anything That Falls". *Economic Development Quarterly* 2 (3) 1988.

\*Peters, Alan and Peter Fisher. 2004. "The Failure of Economic Development Incentives". *Journal of the American Planning Association* 70 (1).