This course applies economic theory and formal models to the understanding of a range of planning-public policy questions that exist in an urban-regional context. It is offered both for graduate credit and also undergraduate credit.

With either option an "intermediate" level understanding of economics is an absolute prerequisite. For undergraduates, that means you must be an economics major and have completed most core courses (hence juniors and seniors only). For graduate students (other than course 14) you should have been an economics major as an undergraduate – or alternatively taken lots of economics and/or mathematics. These prerequisites are necessary to absorb the reading list – consisting mostly of articles from Economic Journals.

The course requirements include a mid term and final exam, as well as 5 problem sets. The latter count 20% for the grade and the former 40 each. (All articles are located in the material section of the website – in PDF. format).

COURSE OUTLINE

I. The structure of Cities: Residential Land Use and Transportation (2/5, 2/7, 2/12, 2/14)
   1. Land markets, land use, density
   2. Congestion theory, Auto Bottlenecks, public Transportation
   EXERCISE: 2-mode congestion-investment model (2/14 – 2/21)

II. Job Dispersal, Agglomeration, and Urban Labor Markets (2/21, 2/26, 2/28 - no class on 2/19)
   1. Job Decentralization and wage variation
   2. Worker-firm job matching.
   3. Local labor market agglomeration, job clustering

III. Segregation and the spatial concentration of urban poverty (3/5, 3/7)
   1. Alternative theories of spatial segregation
   2. Segregation and economic outcomes
   EXERCISE: Multiple equilibrium (3/7 – 3/14)

IV. Urban Housing Markets (3/12, 3/15, 3/19)
   1. Models of turnover, market transactions/friction.
   2. Housing supply, durable capital, Redevelopment.
   3. Tenure choice, labor mobility, defaults.

MID TERM (3/21, in class)

V. Local governments, spatial externalities, land development controls (4/2)
   1. Land use externalities, market efficiency, zoning.
   2. Growth regulations, rent extractions

VI. Tiebout, Sorting and Community competition (4/9, 4/11)
   1. Classical "club" models
   2. Competition with land markets
   3. Empirical tax capitalization
   EXERCISE: location sorting with public goods (4/11 – 4/18)
VII. Local Public Goods: Law Enforcement and Schooling (4/18, 4/23, 4/25 - no class on 4/16)
   1. Public Good supply versus demand
   2. Private substitutes for Public Goods
   3. Identifying productivity.
   4. Spatial competition and Good spillovers.
   EXERCISE: public choice with production functions (4/25 – 5/2)

VIII. Regional Growth, Agglomeration, Systems of Cities (4/30, 5/2, 5/7)
   1. Regional economic growth, supply versus demand shocks.
   2. Inter-regional equilibrium, convergence.
   3. Agglomeration and increasing returns

IX. Interregional Tax/policy competition (5/9, 5/14, 5/16)
   1. Tax and Policy competition models, Nash equilibrium.
   2. Industrial development incentives, taxes, investment impacts.
   3. Layers of government, grants, incentives, control
   EXERCISE: a 2-region model with differential taxation (5/7 – 5/10)

FINAL (week of 5/20)

READING LIST

I. The Structure of Cities: Land Use and Urban Transportation


II. Job Decentralization Agglomeration and Urban Labor Markets


III. Ghettos, segregation and urban Poverty


IV. Urban Housing Markets: Supply, Transactional Frictions, Tenure.


V. Development Restrictions and Land Use controls.


Hans Koster, Jan Rouwendal, "The effects of mixed land use on Residential property Values", Tinbergen Institute Paper TI2010-105/3 (October, 2010).


VI. Tiebout, sorting and community competition


VII. Local Public Goods: Schooling and Law Enforcement


Hoxby, Caroline, "Does Competition among Public Schools benefit Students and Taxpayers?" *AER*, 90, 5, (2000), pp. 1209-1239.


VIII. Regional Growth, Agglomeration, Systems of Cities.


Greenstone, Michael, R. Hornbeck, E. Moretti, “Identifying Agglomeration Spillovers, evidence from Million Dollar Plants”, MIT Department of Economics (December, 2007)


Stijn Van Nieuwerburgh, Pier Olivier-Weil, “Why has House Price Dispersion Gone up?”, NBER 12538 (September, 2006).


IX. Interregional Tax and Policy competition, Governmental Layers


