

URBAN ECONOMICS, ECON 4242  
Department of Economics, University of Colorado  
Fall 2011

Classtime: M, W, F: 1:00 - 1:50 PM                      Room:            MUEN E417  
Professor: Charles de Bartolome                      Office:            ECON 203  
Office hours: M 2:15-3:15 pm; Tu 9:15-10:15am; e-mail: [debartol@colorado.edu](mailto:debartol@colorado.edu)  
Fri 9:15 - 10:15 am.

*Textbook:*        Arthur O’Sullivan: *Urban Economics* (7<sup>th</sup> Edition). McGraw-Hill Irwin.

*Clickers*        Each student must buy a *i>clicker*. If you do not already own one, an *i>clicker* may be purchased at the University of Colorado bookstore. Clickers will be used to promote faculty-student interaction. They will also be used to give class problems which will be scored.

Clickers should be registered at: [cuconnect.colorado.edu](http://cuconnect.colorado.edu)

*Course description:*

The U.S. is an urban country, with 80% of the population living in urban areas. This course considers the economic forces which drive households and jobs to congregate in metropolitan areas and thereby create cities. It then considers the forces within the city which determine how the established cities “look” - how rents vary with location, the distribution of jobs and households within a city, urban sprawl, and the sorting of households between neighborhoods. Finally it considers some government policies relating to land use and housing.

*Pre-requisites:*

Intermediate Microeconomics, ECON 3070;  
Introduction to Statistics with Computer Applications, ECON 3818.

*Course Assignments and CULearn:*

All course assignments, problem sets and some lecture notes are posted on the CULearn which may be accessed at: <http://culearn.colorado.edu> or through: <http://cunconnect.colorado.edu> .

In the past, some students have had difficulty in downloading some of the posted pdf files. ITS advises that this is due to the large file sizes. ITS recommends that you open the Adobe Acrobat Reader. Then click as: Edit > Preferences> Internet and *uncheck* “Allow Fast Web View”.

Please note that six pages of each Adobe Acrobat file can be printed on a single sheet by clicking as: Print>Properties>Multipage>6

*Attendance at class:*

Woody Allen once remarked: "90% of life is just turning up". The best way to learn the material is to attend class. Reading the lecture notes posted on the web is not a good substitute for attendance. Attendance at class is expected and required.

*Problem Sets:*

The problem sets are an integral part of the course. They are designed to help you use the material and a significant part of the exams will closely follow their format.

In addition, there are many questions at the end of each chapter in the textbook. I encourage you to work through these questions.

*Administrative Drop:*

Because attendance is important and is expected, I will drop from the class any student who neither attends one the first three classes of the term nor gets special permission from me for his/her absence.

*Grading:*

There will be two midterms, a final exam, in-class clicker questions and paper summaries. Your grade will be determined as:

25%	First Midterm
30%	Second Midterm
30%	Final
8%	In-class clicker questions.
7%	Paper summaries

Concerning in-class clicker questions. I will use clicker questions to reinforce the main point of a lecture. Each correct answer will receive 1 point and an absence or an incorrect answer will receive zero points. In calculating your total score for all in-class clicker questions, I will sum your scores for all days, omitting your three lowest daily scores.

Concerning the paper summaries. One of the objectives of this course is to introduce you to how economic knowledge is created and distributed (research). As a way of doing this, I will present some research papers. You are required to read the paper before I present it and complete a summary sheet which is to be given in before the presentation.

*Exams:*

The two midterms will be given in the evening as:

FIRST MIDTERM: Monday 19 Sept 7:00 p.m. - 9:00 p.m.  
in HALE 270

SECOND MIDTERM: Monday 24 Oct 7:00 p.m. - 9:00 p.m.  
in HALE 270

The final exam will be held as:

FINAL: Tuesday 13 Dec 1:30 p.m. - 4:00 p.m.  
in MUEN E417

You must bring two blue-books to each exam.

Because this is a 4000-level class, the exams will not just repeat material covered in class. Some questions will closely follow the material covered in class and in the problem sets, but some will ask you to apply the material in a different environment.

*Failure to be present at an exam:*

If you are unable to take an exam because of illness *and* have a medical note from your doctor to confirm this, you may take a make-up. If you have some other compelling reason why you cannot take the exam, you may ask me for permission to take the make-up. Otherwise, if you fail to be present for an exam, you will score 0 in that exam.

*Classroom courtesy:*

Please turn your cell 'phone off prior to the start of class.

I believe that learning is enhanced if there is full concentration by both the instructor and the student. Therefore, usage of laptop computers in class is restricted to following the course notes. To facilitate this, laptops may only be used in the front two rows of the classroom.

*Students with Special Needs:*

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact:303-492-8671; Center for Community Building, Room N200; or <http://www.colorado.edu/disabilityservices> .

If you have a temporary medical condition or injury, please see the guidelines at: [www.colorado.edu/disabilityservices/go.cgi?select=temporary.html](http://www.colorado.edu/disabilityservices/go.cgi?select=temporary.html)

Disability Services' letters for students with disabilities indicate legally mandated reasonable accommodations. Answers to Frequently Asked Questions can be found at: <http://www.colorado.edu/disabilityservices> .

*Harassment Policy:*

The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships applies to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of sexual harassment or discrimination or harassment based on race, color, national origin, sex, age, disability, creed, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at (303) 492-2127 or the Office of Student Contact (OSC) at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at: <http://www.colorado.edu/odh>

*Religious Observances:*

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, please let me know in a timely manner if one of the exam dates falls on a religious holiday you intend to observe and I will arrange for you to take a make-up. See policy details at: [http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)

*Classroom Behavior:*

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, color, culture, religion, creed, politics, veteran's status, sexual orientation, gender, gender identity and gender expression, age, disability, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at [http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student\\_code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)

*Academic Integrity:*

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication,

lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ( [honor@colorado.edu](mailto:honor@colorado.edu) ; 303-735-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at: <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

## COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	<u>Chapter</u>
1. INTRODUCTION		
22, 24, 26 29 Aug	INTRODUCTION “Five Axioms of Urban Economics” Discussion of externalities Discussion of regression analysis - the hedonic regression of house prices  Kain, J., and J. Quigley, (1970), “Measuring the value of housing quality,” <i>Journal of American Statistical Association</i> <u>65</u> , 532-548.	1
2. THE REASON FOR CITIES		
31 Aug 2, 7 Sept	LOCATION OF FIRMS Why firms exist -returns to scale Locating firms to minimize transport costs - weight-losing firms - weight-gaining firms - principle of median location - trans-shipment points	2
9, 12, 14, 16 Sept	WHY FIRMS CLUSTER - localization economies - urbanization economies  Henderson, J.V., (1986), “Efficiency of resource usage and city size”, <i>Journal of Urban Economics</i> <u>19</u> , 47-90. Rosenthal, S.S., and W.C. Strange, (2005), “The micro-economics of agglomeration,” in R. Arnott and D. McMillen, eds., <i>A Companion to Urban Economics</i> , Blackwell, London. McDonald, J.,(1992), “Assessing the development status of metropolitan areas,” in E. Mills and J. McDonald, eds., <i>Sources of Metropolitan Growth</i> , Center for Urban Policy Research, Rutgers University, New Brunswick, NJ	3
19 Sept	FIRST MIDTERM (7-9pm in HALE 270)	

21, 23, 26  
28 Sept CITY SIZE 4  
- urban hierarchy model (Central Place Theory)  
- system of cities

McDonald J.F., and D.P. McMillen, Chapter 5, *Urban Economics and Real Estate* (2nd Edition), Wiley.

30 Sept URBAN GROWTH 5  
3, 5 Oct - role of human capital  
- urban growth  
- urban multiplier

Glaeser, E., J. Scheinkman and A. Schleifer, (1995), "Economics growth in a cross-section of cities," *Journal of Monetary Economics* 36, 117-43.

## 2. THE SPATIAL STRUCTURE OF CITIES

7, 10, 12 LAND RENT GRADIENTS 6  
14, 17 Oct - bid-rent for manufacturing firms  
- bid-rent for information firms  
- substitution into higher buildings  
- bid rent for households  
- substitution into apartments

19, 21 Oct LAND USE PATTERNS 7  
- spatial distribution of jobs (omit pp. 189-191)  
- "Edge Cities"

24 Oct SECOND MIDTERM (7-9p.m. in HALE 270)

26, 28 Oct LAND USE PATTERNS (Cont.) 7  
- spatial distribution of population  
- urban sprawl

Wilson, B., and J. Frew, (2007), "Apartment rents and locations in Portland, Oregon: 1992-2002," *Journal of Real Estate Research* 29, 201-217.

Kahn, M., (2000), "The environmental impact of suburbanization," *Journal of Policy Analysis and Management* 19, 569-586

McDonald, J.F., and D.P. McMillen, Chapter 8 pp 120-138, *Urban Economics and Real Estate* (2nd Edition), Wiley.

Brueckner, J.K., and D.A. Fansler, (1983), "The economics of urban

sprawl: theory and evidence on the spatial size of cities,”  
*Review of Economics and Statistics* 65, 479-482.

31 Oct	NEIGHBORHOODS	8
2, 4, 7	- income sorting	also: pp. 189-191
9, 11 Nov	- public good/public service sorting	
	- sorting around schools	
	- crime and neighborhood choice	
	- neighborhood sorting	
	- racial segregation	
	- spatial mismatch	

Kruger, A., and D. Whitmore, (2001), “The effect of attending a small class in the early grades on college test taking and middle-school test results: evidence from Project STAR”,  
*Economic Journal* 111, 1-28.

Ihlanfeldt, K.R., and D.L. Sjoquist, (1990), “Job accessibility and racial differences in youth employment rates,” *American Economic Review* 80, 267-276.

Cutler, D.M., and E.L. Glaeser, (1997), “Are ghettos good or bad?”,  
*Quarterly Journal of Economics* 112, 827-72.

### 3. LAND USE POLICIES

14,16,18 Nov	ZONING	9
	- land-use zoning	(pp. 226-235)
	- space externality	
	- fiscal zoning	
28, 30 Nov	GROWTH CONTROLS	9
	- urban growth boundaries	(pp. 235-243)
	- other growth controls	

### 4. HOUSING AND HOUSING POLICIES

2,5 Dec	WHY IS HOUSING DIFFERENT	13
	- durability - deterioration and maintenance	
	- filtering model	
7, 9 Dec	HOUSING POLICY	14
	- supply side - public housing	



- subsidies for private housing (Sections 236 and 8)
- low-income housing tax credit
- demand side - housing vouchers
- community development
- mortgage deduction

13 Dec      FINAL EXAM (1:30 - 4:00 p.m. in MUEN E417)