Urban Economics and Policy  
PPHA 38720  
Time: MW 1:50-3:10  
Harris School of Public Policy  
Kathryn Ierulli

Syllabus

Course Description

The course’s purpose is understanding the economics and urban policies of cities. Applications to policy are an integral part of the course and will be analyzed along with urban theoretical models.

Among the topics are: why do cities exist, fundamental model of where firms and workers live and work in a city, urban transport history and funding, pricing in urban land markets, neighborhoods and segregation, urban agglomeration, and economic growth as an urban phenomenon. The course includes application of these concepts to major policy problems. This will be done through class lectures, class discussion, and references to class materials. Many of the policy applications will be seen in new applications during student presentations at the end of the quarter.

Course Goals

The goals of the lecture component of the course are knowledge of: 1) basic urban models of density, transport costs, and land pricing; 2) land value determination via hedonic pricing, neighborhoods, and segregation; and 3) the relationships between skills, wages, and urbanization through agglomeration.

The goal of the course project is to generate a deep knowledge of theory and data on a chosen topic via research into the class project and presentation. The goals of the project are to see: 1) hypotheses are easy and demonstrating their value is hard, since data do not always speak clearly, and 2) that basic urban models have surprisingly powerful implications and empirical value.

Contacts: Kathryn Ierulli, kierulli@uchicago.edu

Classes

Class meetings: Monday and Wednesday, 1.50 – 3.10pm on Zoom. There will be optional 20-30 minute hangout on Zoom before class where informal discussion can take place between students, and office hours after class.

Office hours: 3.10 – 4.10pm after class, or individually by appointment.

Asynchronous Content: There will be 1-2 posted asynchronous modules per lecture, and students are requested to view them before class. Synchronous sessions will examine this material in more detail and discuss its implications. I may use polls in Zoom to test knowledge of this material. The polls will not be a part of your final grade.
Email: I encourage the use of email and try to respond in a timely fashion. Please put ‘PPHA 38720’ in the subject line of any email you send to me so that I may reply efficiently. You may also text me at 312.731.6107 for urgent matters. Please state your name in the first text.

In-class protocol: It is in everyone’s interest to have an engaged and participatory class. I will make the lecture slides available shortly before class, and if you like, you may print and take notes on them. However, an even better technique is to take notes by hand and go over the slides later. There is substantial neurological research that understanding new material is greatly facilitated by writing material down. See, e.g.: https://www.npr.org/2016/04/17/474525392/attention-students-put-your-laptops-away
https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/

Grades

Your grade will be based an in-class midterm in the 5th week, a final exam, and a course project. Class participation is expected, and consists of reading the assigned articles and being ready to discuss them.

• Grades 20% project, 40% midterm, 40% final

Problem Sets

• 4 problem sets will be given, 2 before midterm, 2 after
• They will be ungraded but will review answers in session
• Problem sets are primarily a method to prepare for exams

Midterm and Final Exams

• Exams are about 1/3 short-answer essay, 2/3 problems
• Midterm Thursday, October 29
• Final exam at Harris’s scheduled time

Course Project

A major component of this course is a research project that will be due at the end of the course. The project will be on an urban policy topic. The group size for a team report is up to four persons. Each team will prepare a report on a topic chosen by the team that is related to urban economics. The topic should be the effect of an urban policy on a particular city. Each person on a team will receive the same grade for the team’s report.

Quick summary of project:

• Project: work in groups ≤ 4 students
• Pick:
  o a city
  o and an urban policy/problem
• Then:
  o find data that addresses this policy
  o formulate hypothesis
  o use data to evaluate hypothesis
  o reach a conclusion
  o present in class in 20 minutes, 9th week

Dates of deliverables for the project are:

Stage 1: Turn in proposal by 4pm Friday, October 9
• contains a one-sentence hypothesis, data source(s) that will address your empirical strategy, brief literature review
• one page
Stage 2: Turn in plan and data research by 4pm Friday, October 23

- your (possibly) revamped hypothesis, in one sentence
- your equation to be estimated, specifying estimation technique & dependent & independent variables
- do this as an equation in a statistical framework i.e. \( \ln P = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \epsilon \)
- list your variable(s) of interest
- list the sign of the coefficient(s) that would support your hypothesis
- list the dataset(s) you will obtain your variables from, with actual varnames & any explanation or definitions necessary
- list the years & countries/regions/states describing the data you will use on your project
- you may include preliminary results if you have obtained them & want comments before your presentation

Stage 3: In-class presentation of research, December 1 and 3

- present research hypothesis, summary of results in previous literature, and empirical results of your project, 9th week, 20 minutes per presentation
- turn in slides and final summary write-up (2-5 pages) by 4pm Friday December 4

**Policies**

**Academic integrity**: You are expected to abide by the University’s expectations regarding academic integrity. Please review this excerpt from the University’s Student Manual, [https://studentmanual.uchicago.edu/academic-policies/academic-honesty-plagiarism/](https://studentmanual.uchicago.edu/academic-policies/academic-honesty-plagiarism/)

It is contrary to justice, academic integrity, and to the spirit of intellectual inquiry to submit another’s statements or ideas as one's own work. To do so is plagiarism or cheating, offenses punishable under the University's disciplinary system. Because these offenses undercut the distinctive moral and intellectual character of the University, we take them very seriously.

Proper acknowledgment of another's ideas, whether by direct quotation or paraphrase, is expected. In particular, if any written or electronic source is consulted and material is used from that source, directly or indirectly, the source should be identified by author, title, and page number, or by website and date accessed. Any doubts about what constitutes “use” should be addressed to the instructor.

All University of Chicago students are expected to uphold the highest standards of academic integrity and honesty. Among other things, this means that students shall not represent another’s work as their own, use un-allowed materials during exams, or otherwise gain unfair academic advantage. All students suspected of academic dishonesty will be reported to the Harris Dean of Students for investigation and adjudication. The disciplinary process can result in sanctions up to and including suspension or expulsion from the University.

These expectations apply to papers, exams, and problem sets as well.

**Your submitted work represents your commitment that it is your own independent work, and that you have relied on no other individuals or resources, except as explicitly specified in the assignment instructions.**

If you have specific questions, contact me directly. With respect to sourcing from digital documents, read this article and acknowledge that if you copy from unattributed digital sources that is plagiarism: [http://www.nytimes.com/2010/08/02/education/02cheat.html](http://www.nytimes.com/2010/08/02/education/02cheat.html)

**Disability Accommodations**: The University’s policies regarding students with disabilities are available [here](#). Students who have disability accommodations awarded by the University Student Disability Services Office should inform the Harris Dean of Students office by the end of the first week of class. The Harris Dean of
Students Office will work with the student and instructor to coordinate the students’ accommodations implementation.

Harris students are not required to submit their accommodations letter to the instructor. Students from other divisions in the University must submit their accommodations letter to either the instructor or the Harris Dean of Students Office.

Students who do not yet have formal accommodations in place but who feel they need accommodations on a temporary or ongoing basis should contact the Harris Dean of Students Office or Student Disability Services. It is also worth noting that teaching in a remote environment may generate other questions and issues related to providing accommodations to students with disabilities. Some suggestions are available here.

**Diversity and Inclusion:** The Harris School welcomes, values, and respects students, faculty, and staff from a wide range of backgrounds and experiences, and we believe that rigorous inquiry and effective public policy problem-solving requires the expression and understanding of diverse viewpoints, experiences, and traditions. The University and the Harris School have developed distinct but overlapping principles and guidelines to insure that we remain a place where difficult issues are discussed with kindness and respect for all.

- The University’s policies are available here. Specifically, the University identifies the freedom of expression as being “vital to our shared goal of the pursuit of knowledge, as is the right of all members of the community to explore new ideas and learn from one another. To preserve an environment of spirited and open debate, we should all have the opportunity to contribute to intellectual exchanges and participate fully in the life of the University.”
- The Harris School’s commitments to lively, principled, and respectful engagement are available here: “Consistent with the University of Chicago’s commitment to open discourse and free expression, Harris encourages members of the leadership, faculty, student body, and administrative staff to respect and engage with others of differing backgrounds or perspectives, even when the ideas or insights shared may be viewed as unpopular or controversial.” We foster thought-provoking discourse by encouraging community members not only to speak freely about all issues but also to listen carefully and respectfully to the views of others.

**Required text**


**Recommended supplemental text**


**Policy on Readings:**

I will include in lecture slides which chapters in texts and which journal or newspaper articles inform the lecture material. You are responsible for any such articles, chapters, etc. referred to in class. In addition, the background reading list is quite comprehensive if you are pursuing a particular topic.

If I refer to a paper in class, you should read it.
Organization

Week 1. Introduction, location models. What is a city? Why do businesses and individuals locate there? What about Chicago?
- Urban Economics and Fiscal Policy, Ch 1, 22

Week 2. Urban amenities and residential valuation: What city characteristics do individuals value? Basic urban model
- Urban Economics and Fiscal Policy, Ch 22, 8, 13
- [https://www.researchgate.net/publication/5212374_'Old_Economy'_Inputs_for_'New_Economy'_Outcomes_Cluster_Formation_in_the_New_Silicon_Valleys](https://www.researchgate.net/publication/5212374_'Old_Economy'_Inputs_for_'New_Economy'_Outcomes_Cluster_Formation_in_the_New_Silicon_Valleys)
- Ch 5, Spatial Patterns of Land Use in the United States, Arnott and McMillen
- In the National Interest: Defining Rural and Urban Correctly in Research and Public Policy, G Isserman
- Project Stage 1 due

Week 3. Sprawl, housing, density and its tri-lemma, introduction to hedonic pricing.
- Urban Economics and Fiscal Policy, Ch 8, 23
- [https://myottetm.github.io/USMapBoxIMO/USLwDispConc.html](https://myottetm.github.io/USMapBoxIMO/USLwDispConc.html)
- Population Density: Some Facts and Some Predictions Stephen Malpezzi
- [http://www.jchs.harvard.edu/sites/default/files/a_shared_future_two_extremes_residential_segregation.pdf](http://www.jchs.harvard.edu/sites/default/files/a_shared_future_two_extremes_residential_segregation.pdf)

Week 4. Hedonic pricing, continued, segregation, gentrification, urban poverty
- Urban Economics and Fiscal Policy, Ch 17, 18, 19
- Vigdor, *Does Gentrification Harm the Poor?* Brookings-Wharton Papers on Urban Affairs, 2002
- *Spatial Mismatch or Racial Mismatch?* Judith K. Hellerstein, David Neumark, Melissa McInerney
- [http://www.nber.org/papers/w13161](http://www.nber.org/papers/w13161)
- Project Stage 2 due

Week 5. Housing and real estate, wage determination and urban amenities
- Urban Economics and Fiscal Policy, Ch 23, 24
- Review for midterm

Week 6. Suburbs, local public goods and Tiebout, zoning
- Ch 5, Companion to Urban Economics
- Urban Economics and Fiscal Policy, Ch 4, 5

Week 7. Tiebout and house prices, median voter theorem and local public goods, urban fiscal crises
- Urban Economics and Fiscal Policy, Ch 3

Week 8-9. Agglomeration, economic growth and cities, growth model of human capital
  o Parts of the lecture are quotes from this chapter. You should read the sections cited.
• Urban Economics and Fiscal Policy, Ch 2, 24
• Abel, Dey, and Gabe, Federal Reserve Bank of New York Staff Reports, *Productivity and the Density of Human Capital*
• *Project Stage 3*

**Background Readings**

The articles listed below and others (as necessary) constitute background and supporting economic primary sources. You are not expected to read all of these articles, or even most of them. Some of these articles are difficult, but even if you do not follow all of the mathematics, skimming the articles and reading the abstract, introduction and conclusion can be valuable. You may be asked to select articles to read and review for one of the homework assignments.

**The Basic Urban Model**


**Sprawl**


**Amenities**

• Krysan, Maria and Reynolds Farley, “The Residential Preferences of Blacks: Do They Explain Persistent Segregation?,” *Social Forces,* Vol. 80, No. 3 (March 2002) pp. 937-980.

**Housing**


**Urban Transport**


**Global Urbanization**


**Regional Analysis with and without Externalities and Agglomeration**


**Recent Influences on Urban and Regional Thinking**


**Politics**