Urban Economics

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Overview

Urban economics is the study of cities, what happens in them, and why most people live
there when there is much more space outside them. In this course, we will study the
spatial distribution of activity within and across cities: our fundamental tool will be the
notion of a spatial equilibrium in which agents can move across space and choose their
optimal location. To understand urbanization, we must consider the advantages that re-
sult from eliminating the distance between people: this facilitates the transport of goods,
the matching between workers and employers, the circulation of ideas and the spread of
entrepreneurship, all of which can be sources of agglomeration economies. On the other
hand, the course will also deal with city problems such as urban poverty, segregation,
and crime. We will also approach the study of the real-estate market: why do people
buy or rent? How much housing do they want to consume? How are the dynamics of
construction and housing prices determined by the interplay between residents’ willing-
ness to pay for a location, the supply and durability of the housing stock, and land-use
regulations and housing policy? The broader role of public policy at the local level will
be a final topic.

Course Administration

Instructor: Giacomo Ponzetto, e-mail: gponzetto@crei.cat.

Lectures: Monday and Tuesday, 11:00–13:00. Classroom: Ramon Turró 13.104.

Office Hours: Wednesday, 11:00–13:00. Office: Mercè Rodoreda 23.410.

Grading

There will be no problem sets nor a final exam. Instead, there are two requirements:

1. The material covered in the course is divided by weeks. Before 9 a.m. each Sun-
day, every student must send the instructor an e-mail with personal thoughts and
criticism on the topics to be covered in the following week. The expected length
is around one page and no more than two. Advance reading of at least some of
the materials will help frame the questions and organize ideas, but the goal is not
to read and summarize the readings, but rather to think about the subject and
directions for future research on it.
2. By 1 p.m. on March 27th, two weeks after the end of classes, each student must submit a final project. The project should be no more than 5–10 pages long and can be any of the following:

(a) The proposal for an original paper. This will start with a motivation that explains the importance of the question and the reasons why it is not satisfactorily answered in the existing literature. It will then sketch a model or present some suggestive evidence that lies at the core of the proposed contribution. Finally, it will broadly outline the modelling approach or the empirical strategy to be pursued.

(b) An extension of an existing model, which might become the basis of a paper. Ideally the extension will explain real-world phenomena that the original model could not account for, or it will yield additional empirical predictions that improve our ability to test the model with available data. However, the exercise can also be praiseworthy on purely technical grounds, if it is analytically sophisticated and shows, e.g., that existing results obtain under significantly weaker conditions than those assumed by the original authors.

(c) Referee reports on two articles published in a top journal in the last few years. The articles must be agreed upon with the instructor. Each report will summarize the paper very briefly (1–2 paragraphs), paying particular attention to the tightness of fit between the results in the body of the paper and their presentation in the introduction and conclusion. It will highlight the main contributions and shortly assess their importance. It will dwell more closely on the limitations of the paper, and provide specific, concrete suggestions for improving the analysis. For empirics, you should specify precisely what regression the paper should run in addition to or instead of the current ones, and why it is a necessary control or a more desirable specification. For theory, you should specify equally precisely which assumptions need to be changed and why exactly doing so either risks overturning the existing conclusions, or would add something so relevant to be worth the additional effort.

(d) A critical survey of the literature on a narrow topic that was not extensively covered in class. Such a survey will review the relevant literature in greater detail than the lectures and assigned readings, paying attention to working papers by the leading authors in the area. It should cover both theoretical and empirical contributions, although it may be unbalanced in favour of either. Special emphasis should be given to the questions that remain unanswered.

Class participation (1) will count for 30% of the final grade, and the final project (2) for the remaining 70%. Grading will take into account that projects belonging to types (a) and (b) are more challenging than those of types (c) and (d). Students are advised to consult with the instructor before starting to work on any project.
Syllabus

Readings

The textbook for the course is:


In addition, a non-technical presentation of most of the topics we will cover is provided by:


This is not a textbook, and we will not follow it in class. Nonetheless students should read it, either during the course or indeed beforehand to get involved with the subject from the start.

A detailed list of readings for each topic will be given in class. As the course progresses, minor changes to the list currently provided below are to be expected.

Course outline

1. Introductory readings


2. Spatial equilibrium within a city

(a) The Alonso-Muth-Mills model of a monocentric city


(b) Transportation, poverty, and residential location


3. Spatial equilibrium across cities

(a) Static spatial equilibrium and optimal location choice


(b) Dynamic spatial equilibrium and city growth


4. Agglomeration economies


(a) Measuring agglomeration


For further reading:


(b) Transport costs and the New Economic Geography


(c) Input sharing and urban labor markets


- For further reading:

(d) Non-pecuniary agglomeration economies

(e) Ideas in cities

(f) Human-Capital Spillovers

- For further reading:
5. Urban distress

(a) Discrimination, segregation, and ghettos


• For further reading:

(b) Crime


• For further reading:

6. Real estate

(a) Housing demand and housing markets

i. The demand for housing


- For further reading:


- For further reading:
ii. Housing dynamics


* For further reading:

7. Cities and public policy

(a) The Tiebout model of local public goods and sorting


* For further reading:
(b) Place-based policies

- For further reading: