ECON 7387– Section 22184

ECONOMIC ANALYSIS OF URBAN AREAS

Meets TTh 11:30am-1:00pm in 212 McElhinney Hall

Office: 201B McElhinney (M)
hours: 4:00-5:00pm TTH or by appointment 713-743-3799
email: jkohlhase@uh.edu
web pages: http://www.uh.edu/~kohlhase (general information)
           http://www.uh.edu/blackboard (class website, use Blackboard Learn; password access)

TA: to be announced

Overview: This course is a Ph.D-level applied microeconomics course focusing on urban economics. The field is quite diverse and could easily take up a two-semester sequence, so we will only be able to cover selected topics in this one-semester course. The course begins by examining the monocentric city model by developing bid-rent functions and performing comparative static predictions of the model. The next section of the course reviews both parametric and nonparametric procedures for empirically testing the predictions. We analyze extensions of the basic model to polycentric cities, examine the economics of agglomeration economies, housing markets, urban transportation issues and review some recent themes in economic geography. Other topics may be added depending on the interests of the class.

Recommended Textbooks:


Other Useful Books:


**Course Evaluation:**  
20% Midterm (Thursday February 27, 2014 in class)  
25% Final Exam (Thursday April 24, 2014 11am-1pm in class)  
30% Research Proposal (topics due March 6, final paper due Tues May 6)  
15% Homework sets (including one empirical project)  
10% Class presentation(s)  

The exams will consist of problems and will be closed-book, closed-note and given in-class. There will be about 3 homework sets, and one will involve the use of Stata. The goal of the research proposal is to develop the beginnings of an empirical project by the end of the course. The proposal should be approximately 8-10 pages and should include a literature review and proposed research project including the main hypothesis, description of the data that will be used, and the empirical strategy (more guidelines will be provided later). Each student will also be required to present one or more articles to the class and to lead the discussion.  

**Course Policies:** I expect you to attend all classes and to be an active participant in each. Homework and other course materials will be posted on our class Blackboard website.  
All exams and homeworks are mandatory. Unapproved absence from any exam counts as a zero. No late assignments accepted. Any late homework receives a score of zero. Original hard copies (but no xeroxes) of homeworks are required; no electronic submissions will be accepted. You may form homework study-groups (in fact I encourage you to do so), but each student must turn in her/his own homework sets. Each homework set turned in must be unique and original. You are expected to do your own work on the exams. No makeup exams. Any absence from an exam for medical reasons must be documented by your physician. Any other absence from an exam must be approved by me in advance in writing. All exams and homeworks are covered by the Honesty code of the University of Houston (see Student Handbook’s chapter on academic honesty, access via http://www.uh.edu/dos/studenthandbook/).  

**Course Preparation:** Students should have completed the first-year Ph.D. sequence in microeconomic theory, and at least one course in econometrics. Familiarity with Stata is also assumed.  

**Learning Outcomes:**  
-- Students will attain through lectures, homeworks, and readings, substantive knowledge about the economics of cities and regions.  
-- Students will improve their technical knowledge about a number of modelling aspects, econometrics techniques, and the link between the two.  
-- Students will improve their critical thinking (and hopefully creativity) about existing research on cities and regions.  
-- Students will improve their ability to present complex research output in a clear and succinct way.
Course Outline

Note: This section is subject to revision; not all papers and topics will be covered. The exams will be based on a combination of the readings and lectures. I will indicate in class which papers will be required for the exams.

1. The Monocentric City Model, Theory (Glaeser, Chapter 2)


2. The Monocentric City Model, Extensions (Glaeser, Chapter 2)


3. The Monocentric City Model, Empirics


5. Empirical Methods: Spatial Probit and Logit


6. Empirical Methods: Nonparametric Approaches


McMillen, Daniel P. and Thomas Klier, “Clustering of Auto Supplier Plants in the United States: Generalized Method of Moments Spatial Logit for Large Samples,” *Journal of*


### 7. Polycentric Cities: Theory


8. Polycentric Cities: Empirics


9. Hedonic Models


10. House Price Dynamics


11. Spatial Equilibrium across Cities (Glaeser, Chapter 3)


12 Agglomeration Economies  Glaeser, Chapter 4)


13. Urban Transportation and Mode Choice

Small, Ken, Clifford Winston and Jia Yan, “Uncovering the Distribution of Motorists’ Preferences for Travel Time and Reliability: Implications for Road Pricing.” Econometrica, 73 (July 2005), pp. 1367-1382.


Fujita Chapter 7


