

Fall 2007
MW 1-2:30pm 117M

Prof. J. Kohlhase
University of Houston

ECON 4377, Section 7462
Urban Economics

Overview: In this course you will learn much about the economics of cities. First, we will discuss the economic advantages (and disadvantages) when competing activities locate in close proximity. Next, microeconomic decision-making by firms and consumers will be explored and the impact of those decisions on overall urban spatial structure will be discussed. In the last part of the course, selected urban problems and policies will be examined as time allows. We will discuss such issues as transportation and congestion; housing markets; zoning; and local public finance.

Learning Outcomes:

- Students will be able to use urban economic terminology and models appropriately and correctly.
- Students will be able to analyze and interpret quantitative data about the urban economy.
- Students will be able to organize and present material in a systematic framework based on urban economic models.

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course web site: <http://www.uh.edu/webct> (password access)

TA: George Romagus, contact information to be provided later.

Course Evaluation:

- 30% Midterm Exam (Mon. Oct.15, 2007)
- 40% Final Exam (Wed. Dec. 12, 2007)
- 15% Homework sets
- 15% Research memo

The research memo should be about 3-6 typewritten pages (not including graphs and appendices). In the memo, you will do original research by analyzing a current urban economics problem based on published data that I will provide (or explain how to access online). I will offer several different urban issues from which to choose, or you may select your own topic with my prior written permission. Group memos by up to *three* students will be allowed *subject to my prior written approval*. The group memo will be expected to be longer and done in more depth than memos done by one student. The research memo is due Friday November 30, 2007 by 3pm in the Economics Department, room 204 McElhinney. Group homeworks by up to *three* students are encouraged, and do not need my prior approval. All group members receive the same grade. Exams are problem oriented and will have short discussion and graphical analysis components.

Textbooks: Arthur O'Sullivan (OS), *Urban Economics*, 6th edition, McGraw-Hill, Irwin, 2007 (required).

Richard J. Arnott and Daniel P. McMillen (AM), *A Companion to Urban Economics*, Blackwell, 2006. (not required; we will read a few chapters from this book of readings).

Course Policies:

All exams and homeworks are mandatory. No late assignments accepted. Hard copies of homeworks are required; no electronic submissions will be accepted. 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. Unapproved absence from any exam counts as a zero. **All exams, homeworks and research memo are covered by the Honesty code of UH** (see Student Handbook and <http://www.uh.edu/dos/hdbk/acad/achonpol.html>).

Course Outline*

1. Introduction: What is Urban Economics?
OS-1, AM-3 (*The First Cities*)
--Review of Tools of Microeconomics: OS-Appendix
2. Why Do Cities Exist?
OS-2
3. Firm Location and Cities
OS-3, AM-1(*The Micro Empirics of Agglomeration Economies*)
4. Why Are Cities Different Sizes?
OS-4, AM-28 (*Measuring Quality of Life*)
5. Resource Allocation within Cities
 - a. Land Use in a Monocentric City: OS- 6; handout on Solow model of urban land rent, AM-6 (*Monocentric Cities*)
 - b. Land Use in Polycentric and Decentralized Cities: OS-7
6. Urban Transportation Issues
 - a. Road Congestion: OS-10, handout about policies to combat congestion in Hong Kong, Singapore, Shanghai, and London
 - b. Mass Transit: OS-11
7. Housing Market
 - a. Unusual Aspects of Housing: OS-13, Kohlhase handout on Superfund sites impact on housing markets
 - b. Property Tax: OS-16, pp.341-353
8. Land Use Controls and Zoning: OS-9
9. Epilogue: the Future of US Cities
Glaeser and Kohlhase, "Cities, Regions and the Decline in Transport Costs," *Papers of the Regional Science Association*, vol. 83, 2004, pp.197-228.

***NOTE:** I most likely will assign a few additional articles during the course, typically posted on my WebCT/Vista course website.