

## ECON 540, Section 4 – Urban Economics, Fall 2012

Class Location: 133 Holman Hall, T/Th 8:00-9:15am  
Instructor: Dr. Tom Garrett  
Office Hours: 9:30 – 11:30am Tuesday and Thursday, or by appointment  
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**Text:** *Urban Economics*, 8<sup>th</sup> Edition, by Arthur O’Sullivan, McGraw-Hill, January 2012. You may instead purchase a used copy of edition 5, 6, or 7.

**Extra Readings:** Several journal articles relevant to class topics will be handed out throughout the semester.

**Prerequisites:** Econ 398 or Econ 307.

### Course Overview and Objectives:

Urban economics is a combination of economics and geography, exploring the locational choices of utility maximizing agents and profit maximizing firms. In this course we will use microeconomic theory (*see appendix in textbook for a good review*) to understand numerous aspects of urban economics. The first part of the course will provide you an understanding of why cities exist, why some cities grow and others shrink, and why some cities are large and some are small. In the remainder of the course we will focus on important policy issues in urban economics, such as land use patterns (the locational of neighborhoods vs. businesses), private vs. public transportation systems, crime, and property taxation.

Within the broadly defined topics listed above, you will gain answers to many specific and interesting questions that you may or may not have thought about if you’ve ever driven through or lived in a city. Examples of these questions include: Why are cities located where they are? Why does each country have a few cities that are significantly larger than other cities in the country? Why do most people live in the suburbs now, compared to 50 years ago when the majority of the population lived downtown? Why do some cities have light rail and bus service, whereas others just have bus service? Why is light rail always subsidized? How do property taxes impact homeowners and housing formation? Why is crime higher in some cities than others? Why do some cities use toll roads? Why are skyscrapers located downtown and why do their heights vary so much?

### Examinations:

There will be a midterm exam and a final exam. If you miss the midterm for ***any*** reason (illness, death in family, sports, etc.) the weight of the missed midterm will be added to your final exam.

There are no makeup exams. Most material I cover is in your text. The exams are based on material that I cover in class, regardless of whether or not it is in the text. The course outline at the end of this syllabus provides you with the scheduled time for the midterm exam based on chapters covered. I will let you know the exact date of the midterm exam at least 3 classes in advance. The exams are designed to test your understanding of the key concepts in each chapter. It is essential that you understand the intuition behind the key concepts rather than simply memorizing graphs and definitions.

### **Practice Problems:**

As we complete each chapter of the text, you should work through the corresponding problems at the end of your textbook chapter. Mastering this material will put you in a good position to do well on the exams.

### **Attendance Policy:**

Students are expected to attend all the classes. Students who miss a class are responsible for knowing the material covered in that class. For more information about the university attendance policy see *Class Attendance Guidelines* (ACA.AR.200.004).

### **Academic Integrity**

Plagiarism and cheating are serious offenses and may be punished by failure on the exam, or failure in the course. For more information please refer to the university policy on *Student Academic Conduct and Discipline* (ACA.AR.600.001).

### **Grading:**

#### *Undergraduate Students*

Midterm Exam – 30%  
Final Exam – 40%  
Short papers on current events in urban economics (2) – 30%

#### *Graduate Students*

Midterm Exam – 20%  
Final Exam – 30%  
Research paper – 50%

<b>Grading Scale:</b>	89.5 and up	A
	79.5 – 89.49	B
	69.5 – 79.49	C
	59.5 – 69.49	D
	below 59.49	F

Note: For B and C grades, a (+) will be added to the letter grade for any numerical grade X6.49 and higher (e.g., 86.49 to 89.49 is a B+). No minus (-) grading is used.

### **Short papers on current topic related to urban economics (Undergraduates Only):**

Undergraduates are required to submit two short papers, each covering a current event topic in urban economics that is related to a topic that we covered in class. You should search the newspapers of large cities in the U.S. for an article (no more than two years old). Each paper should be 2 full pages in length, typed and double-spaced. You should also include a copy or URL of the article along with your paper. The paper should have several parts: First, list the title and source of the article. Second, write a short summary paragraph of the article. Third, and most importantly, the rest of the paper should contain an *economic* discussion based on a topic we covered in class. In many cases more than one topic that we cover in class may relate to an article. It is up to you whether you want to focus your paper on just one topic or many. Each short paper is worth 15% of your final grade. It is up to you when to submit your papers during the semester. You may submit one paper at a time or both together. Papers will not be accepted after the last class of the semester. No exceptions. The grade you receive on each paper is based on writing (no typos, good grammar, clarity) – 20%; and economic content related to class topic – 80%. Feel free to discuss an article with me before you write your paper!

### **Research paper (Graduate Students Only):**

Graduate students are required to write a research paper based on one topic in urban economics. The research paper should have original elements. You can choose one of two (similar) options:

- 1) From existing literature (see the end of each textbook chapter for some recent research), you propose *and motivate using economic theory* changes to existing empirical methodologies or data. You then empirically implement these changes (e.g., estimate new empirical models or re-estimate existing models using new data) and present and discuss your results.
- 2) Research one aspect of an issue that has not been explored by existing literature. Present relevant previous research and *present your hypotheses using economic theory*. Present some empirical evidence for your hypotheses using, in the least, some method of data analysis (ideally regression analysis).

Your paper should (more or less) follow the usual set-up for an academic research paper: introduction, literature review (if not included in introduction), hypotheses, methodology and/or model, results, economic implications and significance, and finally the conclusion. The grade

for the research paper is based on writing (no typos, good grammar) – 25%, clarity and organization – 25%; strength of economic argument, hypotheses, and empirical approach and accuracy in estimation – 50%. Due date is the last day of class.

**Teaching Assistant:**

To Be Announced

**Course Outline –Econ 540, Urban Economics – Fall 2012**

1. Introduction

Chapter 1: Introduction and Axioms of Urban Economics

2. Market Forces in the Development of Cities

Chapter 2: Why Do Cities Exist?

Chapter 3: Why Do Firms Cluster?

Chapter 4: City Size

Chapter 5: Urban Growth

3. Land Rent and Land-Use Patterns

Chapter 6: Urban Land Rent

**Midterm Exam #1**

Chapter 7: Land-Use Patterns

Chapter 8: Neighborhood Choice

4. Urban Transportation

Chapter 10: Autos and Highways

Chapter 11: Urban Transit

5. Selected Issues

Chapter 13: Crime

Chapter 17: Local Government Revenue

7. Other issues (we may not have time to start/finish this section)

Chapter 12: Education

Chapter 15: Housing Policy

**Final Exam – Tuesday, December 4<sup>th</sup>, 8:00am – 10:00am**