

Syllabus - ECON 137 – Urban & Regional Economics

Summer 2006 (session C)

Instructor: Guillermo Ordonez (guilord@ucla.edu)

Lecture hours: Monday and Wednesday 1:00 – 3:05pm, **Room:** Dodd 175

Office hours: Monday and Wednesday 3:30 – 4:30pm, **Room:** Bunche 2265

Webpage: <http://www.sscnet.ucla.edu/061/econ137-1/>

UCLA campus “A city within a city” (UCLA undergraduate admission webpage)



“A great city is not to be confounded with a populous one”

Aristotle (Ancient Greek Philosopher, 384 BC-322 BC)

“Los Angeles is 72 suburbs in search of a city”

Dorothy Parker (American short-story writer and poet, 1893-1967)

“What I like about cities is that everything is king size, the beauty and the ugliness.”

Joseph Brodsky (Russian born American Poet and Writer. Nobel Prize for Literature in 1987. 1940-1996)

Course description

In this class we will study the economics of cities and urban problems by understanding the effects of geographic location on the decisions of individuals and firms. The importance of location in everyday choices is easily assessed from our day-to-day lives (especially living in LA!), yet traditional microeconomic models are *spaceless*, (i.e we do not account for geographic factors).

First we will try to answer general and interesting questions such as, Why do cities exist? How do firms decide where to locate? Why do people live in cities? What determines the growth and size of a city? Which policies can modify the shape of a city?

Having discussed **why** we live in cities, we will analyze the economic problems that arise **because** we are living in cities. We will focus on many specific urban economic problems such as firm location, crime, transportation, housing, education and local government economics.

Course requirements:

Students must have taken ECON 11. In other words, students should feel comfortable with the use of calculus and graphs. Basic microeconomic concepts will be discussed in class and are available in the required readings. Students doing economics, public policy and geography majors are the primary targets of this course.

Grading

Midterm	[1 hour]	25%
Individual Essay		15%
Group Essay		10%
Final	[2 hours]	50%

Students will have the option of replacing the grade they get in the midterm with the grade obtained in the final exam. Participation in class is very important and it will affect the grades assigned to essays. Many questions I'll ask in class will show up in the exams.

Essays

“Essay” is maybe a big word since I'll request a report of at most two or three page long. The main goal of essays is students to explain some facts about land use, location of industries or economic problems in a particular area of LA Country. I want to encourage students to download data, analyze information, discuss cases, etc. While the individual essay will be data oriented, the group essay will be discussion and opinion oriented. Explicit rules will be explained in the class.

Readings

Class notes. I will post slide files on the course webpage before each week starts. If you complete those slides taking notes from what I say in class, you should be fine for the tests. All class notes will be matched to chapters of the following textbooks:

Textbooks:

- [O] O'Sullivan, *Urban Economics*, Sixth Edition, McGraw-Hill 2006. [ISBN (0072984767)] **This is the main textbook.** You don't need to buy it since I left copies on E-Reserve [College Library Circulation Desk]. You can take the books for a 2-hour loan period as many times as you need. If you find it cheaper, you can also use the fifth edition of this book since I'll provide a match between the two editions.
- [H&G] Hoover and Giarratani, *Regional Economics*, Online Edition.
<http://www.rrl.wvu.edu/WebBook/Giarratani/contents.htm>

Additional readings:

- Newspaper articles (to be given in class or posted on the web)
- Published economic papers. They are (and will be) assigned to some lectures.

The main purpose of this extra reading is to let students know where some comments I make in class come from. I recommend you to read only the introduction and conclusion sections of the papers and avoid the more technical parts.

Tentative Schedule

The first part of the course (before the midterm) will study what determines the existence, size, growth and shape of a city. The second part will study specific urban problems.

<i>Lecture</i>	<i>Topic</i>	<i>Textbooks</i>	<i>Additional Readings</i>
Week 1 [08/07 & 08/9]	Introduction	[O] Ch. 1 [H&G] Ch. 1	Play Simcity4 Google Earth
	Cities and Clusters Cases: Silicon Valley and Route 128.	[O] Ch. 2, 3 [H&G] Ch. 2	Hotelling (1929) Glaeser, Kolko, and Saiz (2001) Saxenian (1996)
Week 2 [08/14 & 08/16]	Urban Size and Growth. Cases: NY and LA.	[O] Ch. 4, 5. [H&G] Ch. 7,8	Quigley (1998) Glaeser (2005)
Week 3 [08/21 & 08/23]	Land use patterns Policies for city growth and shape.	[O] Ch. 6, 7 [H&G] Ch. 6	Glaeser (1998)
Week 4 [08/28 & 09/30]	<i>Midterm Exam</i>		
	Transportation	[O] Ch. 10, 11	
Week 5 [09/04 & 09/06]	Housing	[O] Ch. 13, 14	
	Crime, Education	[O] Ch. 12	Di Tella and Schargrosky (2004) Donohue and Levitt (2001)
Week 6 [09/11 & 09/13]	Local Government.	[O] Ch. 15, 16	Holmes (2000)
	<i>Final Exam</i>		

References

Di Tella, R. and E. Schardrosky (2004). "Do Police Reduce Crime? Estimates using the Allocation of Police Force after a Terrorist Attack." *American Economic Review*, Vol. 94. [What are the estimation problems on crime reduction studies? How can a natural experiment help?]

Donohue and Levitt. (2001) "The Impact of Legalized Abortion on Crime" *Quarterly Journal of Economics*, May 2001

Glaeser, Edward (1998) "Are Cities Dying?" *Journal of Economic Perspectives*, Vol.12, #2.

Glaeser, Edward (2005) "Urban Colossus: Why is New York America's Largest City?" Harvard Discussion Paper 2073. [Analyzes what accounts for New York's rise and continuing success]

Glaeser, Edward L, Jed Kolko, and Albert Satz (2001) "Consumer City," *Journal of Economic Geography*, Vol. I [Tests the view that cities are justified by the consumption side (people willing to pay more rent to get the amenities exclusive from cities) rather than production side (productivity from cities more than compensates the disutility of living there)]

Holmes, T. (2000) "The Location of Industry: Do States' Policies Matter,?" *Regulation*, Vol. 23, No. 1, 47-50

Hotelling, Harold (1929): "Stability in Competition," *Economic Journal*, 39, 41-57

Saxenian, A. (1996) "Inside Out: Regional Networks and Industrial Adaptation in Silicon Valley and Route 128". *Cityscape*, Vol 2. #2. [Compares the cases of Silicon Valley and Route 128 and introduces the importance of "network economies"].

Quigley, John M. (1998) "Urban Diversity and Economic Growth," *Journal of Economic Perspectives*, Vol. 12, #2 [Scale economies are important but Urbanization economies are determinant for city formation. Models are like the models of economic growth with HK (constant return to scales + external economies)]

The fine print:

University policy for students with disabilities

<http://www.saonet.ucla.edu/osd/docs/Handbooks/FacultyGuide.htm>

University statement about academic honesty

<http://www.deanofstudents.ucla.edu/Syllabus%20sheet%2099.html>