

**University of Louisville**  
**School of Urban and Public Affairs**  
**PLAN 603/UPA 603/PADM 640: Urban Economics**  
**Tuesday 5:30 pm to 8:15 pm, CO 200**

Instructor: Frank Goetzke  
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Office: USI 110  
Office Hours: Tuesday 10 am to 12 noon, and by appointment

***Course Prerequisites:***

Understanding of algebra and geometry (high school and/or introductory college math).

***Course Description:***

This graduate course is required for the MUP as well as the Ph.D. programs, and an elective for the MPA program. The course provides the students with an introduction to the most commonly used economic concepts (before fall break) and then applied to urban economics (after fall break). The microeconomics section covers demand, supply and elasticity, consumer and firm behavior, the competitive market, as well as market failures, such as externalities and public goods. Special attention will be given to welfare analysis, as well as the role of government in the provision of public goods and the regulation of externalities. The urban economics section deals with the Tiebout model, urban land use analysis and sprawl as well as issues of spatial equilibrium.

***Learning Objective:***

- Critically think, as public managers, urban planners, and policy analysts, through investigating policy formulation and their unintended consequences.
- Appreciate the market system both its efficiency and limitations.

- Analyze how agents (consumers and voters), firms, and government make economic and non-economic decisions.
- Discern the role of government in the economic system, its functioning and limitations
- Apply economic concepts for public policy analysis:
  - Demand and supply
  - Market equilibrium and market failures
  - Public goods and externalities.
  - Agglomeration economics and location theory
  - Monocentric City Model
  - Tiebout Model
  - Spatial equilibrium analysis

***Textbook:***

MindTap software [A] together with:

Mankiw, N. Gregory. 2015. *Principles of Microeconomics*. McGraw-Hill: [M]

**Do not buy the text book, since an electronic version is part of MindTap!!!**

Brueckner, Jan K. 2011. *Lectures on Urban Economics*. The MIT Press, Cambridge, MA and London, England. [B]

***Additional Literature:***

Delucchi, Mark. 2000. "Should We Try to Get the Prices Right?" *Access* 16.

<http://americandreamcoalition-org.adcblog.org/transit/Delucchi.pdf>

Deryugina, T., Moore, F. and Tol, R.S., 2021. Environmental applications of the Coase Theorem. *Environmental Science & Policy*, 120, pp.81-88.

<https://deryugina.com/wp-content/uploads/2021/04/2021-Deryugina-Moore-Tol-Coase-Theorem.pdf>

Downs, Anthony. 2004. "Traffic: Why It Is Getting Worse? What Governments Can Do?" *The Brookings Institution Policy Brief* 128.

[http://digital.library.ucla.edu/websites/2005\\_999\\_006/Brookings.pdf](http://digital.library.ucla.edu/websites/2005_999_006/Brookings.pdf)

Farrell, Joseph. 1987. "Information and the Coase Theorem." *The Journal of Economic Perspectives* 1 (2).

[https://www.researchgate.net/profile/Joseph\\_Farrell/publication/4724837\\_Information\\_and\\_the\\_Coase\\_Theorem/links/00b7d529e5e509469d000000.pdf](https://www.researchgate.net/profile/Joseph_Farrell/publication/4724837_Information_and_the_Coase_Theorem/links/00b7d529e5e509469d000000.pdf)

Fischel, W.A., 2004. An Economic History of Zoning and a Cure for its Exclusionary Effects. *Urban Studies*, 41(2), pp.317-340.

<https://www.dartmouth.edu/~wfischel/Papers/02-03.pdf>

- Fischel, William. 2006. *The Tiebout Model at Fifty*. Lincoln Institute of Land Policy, Cambridge, MA.  
Chapter 1:  
[http://www.econ.wayne.edu/agoodman/7500/public/footloose\\_tiebout.pdf](http://www.econ.wayne.edu/agoodman/7500/public/footloose_tiebout.pdf)  
Chapter 2:  
<http://econweb.umd.edu/~oates/research/the%20many%20faces%20of%20the%20tiebout%20model.pdf>
- Fischel, William. 2001a. "Homevoters, Municipal Corporate Governance, and the Benefit View of the Property Tax," *National Tax Journal* **54**(1).  
<http://www.ntanet.org/NTJ/54/1/ntj-v54n01p157-74-homevoters-municipal-corporate-governance.pdf>
- Fischel, William. 2001b. "Why are there NYMBYS?" *Land Economics* **77**(1).  
<http://le.uwpress.org/content/77/1/144.full.pdf>
- Frank, Robert H. 2003. "Are Positional Externalities Different from Other Externalities?" *Presentation at the Brooking Institutions*.  
<http://www3.nd.edu/~adutt/activities/documents/FrankArePositionalExternalitiesDifferent.pdf>
- Friedman, Milton. 1966. "The Methodology of Positive Economics," in: *Essays in Positive Economics*, University of Chicago Press, Chicago, IL.
- Glaeser, Edward L. and Joshua D. Gottlieb. 2009. "The wealth of cities: Agglomeration economies and spatial equilibrium in the United States." *Journal of Economic Literature* **47**(4).  
<http://faculty.arts.ubc.ca/jgottlieb/papers/WealthOfCities2009JEL.pdf>
- Glaeser, Edward L. 1998. "Are Cities Dying?" *The Journal of Economic Perspective* **12** (2). <https://pubs.aeaweb.org/doi/pdf/10.1257%2Fjep.12.2.139>
- Glaeser, Edward L., and Joshua D. Gottlieb. 2008. "The Economics of Place-making Policies." *National Bureau of Economic Research*, No. w14373.  
<http://faculty.arts.ubc.ca/jgottlieb/papers/EconomicsPlaceMakingPolicies2008HIER.pdf>
- Gordon, Peter and Harry W. Richardson 1998. "Defining Cities". *The Journal of Economic Perspective* **12** (4).  
<https://pubs.aeaweb.org/doi/pdf/10.1257/jep.12.4.231>
- Fischel, William. 2015. *The Politics and Economics of Metropolitan Sprawl*, in: *Zoning Rules! The Economics of Land Use Regulation*, Chapter 8. Lincoln Institute of Land Policy Lincoln Institute of Land Policy, Cambridge, MA.

- <https://poseidon01.ssrn.com/delivery.php?ID=150124106095081127020090119089104022063075036012049018106115000097090090113093025067123121063030017007034090090124123112027098020040034053046098093069026125077068041008071114065100075117003126113082004001026114101104118081125074107087072117066085008&EXT=pdf>
- Goetzke, F. and Islam, S., 2017. Testing for Spatial Equilibrium Using Happiness Data. *Journal of Regional Science*, **57** (2).  
[https://onlinelibrary.wiley.com/doi/pdf/10.1111/jors.12311?casa\\_token=JBUT9krS6HEAAAAA:cCAEUiB3ze5q5FEfiYr12IrRBYV7XjUac\\_8eHBSGmZsTpJb1L4wHFpC7\\_ZDXBFWG5b2YxMKk3a14IQ](https://onlinelibrary.wiley.com/doi/pdf/10.1111/jors.12311?casa_token=JBUT9krS6HEAAAAA:cCAEUiB3ze5q5FEfiYr12IrRBYV7XjUac_8eHBSGmZsTpJb1L4wHFpC7_ZDXBFWG5b2YxMKk3a14IQ)
- Hayek, Friedrich A. 1945. "The Use of Knowledge in Society." *American Economic Review* 35 (4).  
<http://bev.berkeley.edu/ipe/readings/The%20use%20of%20knowledge%20in%20society.pdf>
- Krugman, Paul. 1997. *Development, Geography and Economic Theory*. The MIT Press, Cambridge, MA and London, England.
- Mieszkowski, Peter and Edwin S. Mills. 1993. "The Causes of Metropolitan Suburbanization". *The Journal of Economic Perspective* 7 (3).  
<http://legacy.earlham.edu/~jond/Urban/MillsSuburbanization.pdf>
- Ostrom, Elinor. 2000. "The Danger of Self-Evident Truths." *PS: Political Science & Politics*, 33(01).  
<http://levente.littvay.hu/colburn/420774.pdf>
- Ostrom, Vincent and Elinor Ostrom. 1999. "Public Goods and Public Choice," in: *Polycentricity and Local Public Economies. Readings from the Workshop in Political Theory and Policy Analysis*. Ed. Michael McGinnis, University of Michigan Press, Ann Arbor, MI.
- Ostrom, Vincent and Elinor Ostrom. 1971. "Public Choice: A Different Approach to the Study of Public Administration." *Public Administration Review* 31(2).  
<http://www.jstor.org/stable/pdf/974676.pdf>
- Ostrom, Vincent and Elinor Ostrom. 1999. "Public Goods and Public Choice," in: *Polycentricity and Local Public Economies. Readings from the Workshop in Political Theory and Policy Analysis*. Ed. Michael McGinnis, University of Michigan Press, Ann Arbor, MI.  
<http://johannes.lecture.ub.ac.id/files/2012/02/Public-Goods-and-Public-Choices.pdf>

Ostrom, Vincent, Charles M. Tiebout, and Robert Warren. 1961. "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry." *American Political Science Review* 55(4).

<https://www.jstor.org/stable/pdf/1952530.pdf>

Partridge, Mark D., and Dan S. Rickman. 2007. "Persistent pockets of Extreme American Poverty and Job Growth: Is there a Place-based Policy Role?." *Journal of Agricultural and Resource Economics* 32(1), 201-224.

<http://ageconsearch.umn.edu/bitstream/8599/1/32010201.pdf>

Thompson, Wilbur. 1968. "The City as a Distorted Price System." *Psychology Today* 8.

<https://books.google.com/books?hl=en&lr=&id=iBZ32c7KLWUC&oi=fnd&pg=PA75&dq=Ostrom,+Vincent+and+Elinor+Ostrom.+1999.+%E2%80%9CPublic+Goods+and+Public+Choice,&ots=fbEvt7RDdN&sig=MLhYjxGXA7yxujQdKy9u97UY6o#v=onepage&q=Ostrom%2C%20Vincent%20and%20Elinor%20Ostrom.%201999.%20%E2%80%9CPublic%20Goods%20and%20Public%20Choice%2C&f=false>

Tiebout, Charles M. 1956. "A Pure Theory of Local Public Expenditure." *The Journal of Political Economy* 64 (5).

[http://darp.lse.ac.uk/papersdb/Tiebout\\_\(JPoIE\\_56\).pdf](http://darp.lse.ac.uk/papersdb/Tiebout_(JPoIE_56).pdf)

### ***Teaching Style, Attendance and Learning Requirements:***

A lot of the work will be done outside of the class room. In this class, I expect you to learn the basic economic concepts at home, pretty much on your own, or, even better, in working groups.

At the beginning of the course, I will follow mostly the outline of the economics textbook (Mankiw), but later I will assign quite a few readings of articles. Also, at the first part of the class you have MindTap assignments, later you will have short online exams. While I do not require excuses for missed classes, I strongly recommend that you come to class regularly, and if you cannot attend, that you get the notes from a class mate.

The way how economists think may be very unfamiliar to you, since the center of any economic argument is an economic model. You will be only able to master the material if you do all the readings and get a lot of practice. This is the reason why I will give you MindTap homework assignments, which you will do online, as well as paper assignments. Most of the learning will definitely happen outside of the classroom. Do not wait until the last day to work on the assignments. Chances are that the product will not be as good as it could be.

I do encourage group work. It will be easier to understand the material if people talk about it with others. It is an established fact that both stronger and weaker students equally benefit

from group work. In a group it is less likely to get stuck on a problem, or go down the wrong path in solving it. It also makes learning more fun.

While the class material is based on an undergraduate textbook, the class will move fast, because we will essentially cover topics designed for almost two semesters in one semester. Therefore, an average student should in general expect to spend at least three times the classroom time outside of the classroom (more is better). That would be about 7.5 hours a week additionally to the class meetings (which would be 10 hours total).

Warning: This course is not conducive to binge-working – you will get lost!

I am very aware that everybody's time budget is limited, but at the same time, one makes choices concerning the use of one's time (including paid work). The amount of time spent on studying and group work will likely be reflected in the final grade, and as such, provide future employers with a sense of how important the class was to the student.

### ***Grading:***

The final grade consists of two parts, 5 timed online midterms and two papers.

The timed online midterms are done by Blackboard. You will have to answer mostly two to five questions (the time limit depends on the assignment, but it will never be longer than 1 hour). The questions will refer to the materials covered during the last class as well as to the readings in preparation for the next class. Therefore you have to read all materials before you start the online homework assignment.

20 percent	MindTap assignments
20 percent	Online midterms
20 percent	Externality paper
20 percent	Final paper
20 percent	Best of the above grade

*MindTap* is a software product which will help you to get a deeper understanding of economic concepts and modeling. It will give you with the opportunity to practice what you have learnt. MindTap provides you with a course outline indicating all due dates. The graded assignments will be due Saturday night after the material is covered in the class at 11:45 pm. Please refer to the end of the syllabus for more information on how to purchase MindTap. You can register and set up your MindTap account (see end of syllabus).

This is what I expect from the papers:

*Style and lay-out:* 3 to 5 pages double-spaced 12 point New Times Roman with a one-inch margin all around, tables, figures and maps go into the appendix and do not count towards the 3 to 5 pages. However, I always accept shorter papers as long they cover everything they should. There is a German saying: "Shorter papers are spicier". In Fact, longer papers

are often worse papers. They tend to be a result of students writing in too general terms, because they lack a deeper understanding the topic. Finally, I do treasure a precise and scientific language. Flowery, poetic or journalistic writing is not considered scientific, nor is making jokes or trying to be entertaining. The best papers make their point right after a very short introduction (motivating the paper), and then discuss the topic in a very systematic and logical way.

*Design and use of tables, figures and maps:* Always make your own tables, never cut and paste either from the web or Excel. Figures and maps can be cut and paste. Every table, figure or map has a number and an informative title, i.e. “Table 1: Density gradient regression results for Denver, CO”. The table is then referred to in the discussion as Table 1. Never add tables, figures or maps which are not references in the write-up, and always discuss them completely. It does not make sense to report on statistical values, which you do not want to discuss.

Papers are due at the beginning of class (not the end – do not want you to finish the paper in class time and miss the lecture). Handing in the paper late will result in a 10% penalty for each started week. I will give you a lower grade for not using technical language or using it incorrectly, as well as for superficial and/or incomplete arguments. Furthermore, you will reduce the grade for presentational issues such as grammar or spelling errors, or problems in style, lay-out, design and use of tables, figures and maps, etc.

I will discuss the papers during class sessions to show good contributions, but also bad arguments. That includes that I may ask you to read from it. So, make sure that you spend enough time on the paper that you do not embarrass yourself. I do that partially, so that you put more effort into the paper. It is also an adoption of the Cambridge/Oxford tutorial system. Everyone will benefit from this approach.

The final course grade is calculated with a “relaxed” grade scale as shown below:

Above 95%	A+
excluding 90% to including 95%	A
excluding 85% to including 90%	A-
excluding 80% to including 85%	B+
excluding 75% to including 80%	B
excluding 70% to including 75%	B-
excluding 65% to including 70%	C+
excluding 60% to including 65%	C
excluding 55% to including 60%	C-
excluding 50% to including 55%	D+
excluding 37.5% to including 50%	D
excluding 25% to including 37.5%	D-
below 25%	F

Depending on individual performance in class, I may in some cases take the freedom to move a student up to one letter grade step up (but never down). I am convinced that every

student who spends the necessary time for studying and does all the assigned work with care will be able to pass the course, especially because I have such a relaxed grade scale. Past experience says that the course average will be between A- and B+, the worst grade is typically a B- or, very rarely, a C+.

***Classroom etiquette:***

1. Do not come late.
2. Turn off your cell phone.
3. Do not use your computer unless you take notes. No emails, internet, facebook, googling, shoe shopping, video games, etc.
4. Every violent and/or (verbally) threatening behavior toward other students or myself will be immediately reported to the Dean's office (no exceptions!).

***Academic Integrity:***

It is expected that a student in the Graduate School will refrain from plagiarism and cheating. Plagiarism and cheating are serious breaches of academic conduct and may result in permanent dismissal. Each student is advised to become familiar with the various forms of academic dishonesty as explained in the Code of Student Rights and Responsibilities. A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. Any proven plagiarism will result in failure of the course and will be reported to the committee on student discipline for further action, including notice in the permanent record, dismissal or expulsion.

For more information, please consult the student's handbook.

***Title IX Statement:***

Sexual misconduct (sexual harassment, sexual assault, and any other nonconsensual behavior of a sexual nature) and sex discrimination violate University policies. Students experiencing such behavior may obtain confidential support from the PEACC Program 852-2663, Counseling Center 852-6585 and Campus Health Services 852-6479. To report sexual misconduct or sex discrimination, contact the Dean of Students (852-5787) or University of Louisville Police (852-6111).

Disclosure to University faculty or instructors of sexual misconduct, domestic violence, dating violence, or sex discrimination occurring on campus, in a University-sponsored program, or involving a campus visitor or University student or employee (whether current or former) is not confidential under Title IX. Faculty and instructors must forward such reports, including names and circumstances, to the University's Title IX officer.

For more information, see Sexual Misconduct Resource Guide:



<http://louisville.edu/peacc/policies/title-ix>

***Disability Statement:***

All students with a disability who require special accommodations to participate in and complete this course must contact the Disability Resource Center (852-6938) for verification of eligibility and for determination of specific accommodation.

***Tentative Course Schedule:***

**8/22 Introduction to economic models and their limitations (1. Meeting)**

*Readings:*

1. Mankiw, Chapter 1.
2. Hayek, 1945.
3. Ostrom, 2000.

**8/29 Economic thinking and urban economics (2. Meeting)**

*Assignments due:* MindTap Intro & MindTap 1

*Readings:*

1. Mankiw, Chapters 2 & 3, Appendix on Graphing.
2. Thompson, 1968.
3. Krugman, 1991: Chapter 3.
4. Friedman, 1966

**9/5 NO CLASS (*Labor Day*)**

**8/12 Market equilibrium and public policy (3. Meeting)**

*Assignments due:* MindTap 2 & 3, Appendix on Graphing.

*Readings:*

1. Mankiw, Chapters 4, 5 & 6.

**9/19 Welfare analysis and consumer choice (4. Meeting)**

*Assignments due:* MindTap 4, 5 & 6.

*Readings:*

1. Mankiw, Chapters 7, 8 & 21.

**9/26 Externalities, pollution and cost of production (5. Meeting)**

*Assignments due:* MindTap 7, 8 & 21.

*Readings:*

1. Mankiw, Chapters 10, 13 & 14.
2. Brueckner, Chapter 9.
3. Deryugina, 2021.

*Additional readings for externality paper:*

1. Farrell, 1987.
2. Frank, 2003.

**10/3 NO CLASS (Fall break)**

**9/10 Introduction to urban and spatial economics (6. Meeting)**

*Assignments due:* MindTap 10, 13 & 14.

*Readings:*

1. Brueckner, Chapter 1.
  2. Goetzke & Islam, 2017.
  3. Glaeser and Gottlieb, 2009.
- Spatial pollution & Agglomeration

**10/17 Public goods and local public services (7. Meeting)**

*Readings:*

1. Mankiw, Chapters 11 & 22.
2. Brueckner, Chapter 5 & 8.
3. Ostrom and Ostrom, 1971.
4. Ostrom and Ostrom, 1999.

*Additional readings for the externality paper:*

1. Downs, 2004.
2. Delucchi, 2000.

**10/24 Fiscal federalism and the Tiebout model (8. Meeting)**

*Assignments due:* Externality paper

*Readings:*

1. Oates
2. Tiebout, 1956.
3. Ostrom et al., 1961.
4. Fischel, 2006: Chapters 1 & 2.

**10/31 Homevoter's hypothesis & NYMBY (9. Meeting)**

*Readings:*

1. Fischel, 2001a.
2. Fischel, 2001b.
3. Fischel, 2004.

**11/7 Housing & the Social Stratification-Government debate (10. Meeting)**

*Assignments due:* Online midterm 1.

1. Brueckner, Chapter 6 & 7.
2. more

**11/14 Residential location choice (11. Meeting)**

*Assignments due:* MindTap 10, 13 & 14.

*Readings:*

1. Bruckner, Chapter 2 & 3.
2. Glaeser, 1998.
3. Gordon and Richardson, 1998

**11/21 Urban land use and sprawl (12. Meeting)**

*Readings:*

1. Bruckner, Chapter 3 & 4.
2. Fischel, 2015: Chapter 8.
3. Mieszkowski and Mills, 1993.

**12/5 Spatial equilibrium revisited: People-based vs. place-based policies (13. Meeting)**

*Assignments due:* Online midterm 2 & the final paper.

**I reserve the right to change the syllabus when necessary**