

**PPD 358: Urban and Regional Economics**  
**Fall Semester, 2015**

Mon/Weds 2:00 – 3:50  
Room RGL 215

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This is a course on urban and regional economics – mostly urban economics. We live in the world’s first urban century. Half of humanity now lives in cities, and that fraction will grow throughout the 21<sup>st</sup> Century. Cities and metropolitan areas are the engines of growth for economies worldwide. Understanding urban economics is central to understanding modern economies more broadly. Yet urban economics is different from many other elements of microeconomics that you might have learned. Place and space – where things happen – are fundamental in urban economics, but are usually ignored in introductory economics classes. Also, urban economies are characterized by what economists call “market failures” – cases where market interactions affect persons who are not party to the trade. In economic jargon, the concepts of externalities, both positive and negative, are central to many urban problems. For that reason, while this course and urban economics more generally require a sound understanding of private markets and market behavior, we must go beyond that to understand when and how markets will not lead to socially optimal outcomes, and how policy might intervene. Lastly, cities and metropolitan areas are more than economies; they are societies and neighborhoods with a host of interactions that are not market-based. (Think about your daily life here in Los Angeles. Many things that are important to you – your friends, family, student clubs, religious or cultural life, and recreation – are not economic transactions.) Because cities are broader than economies, questions of equity and fairness are fundamental to urban policy. While this course adopts the theoretical lens of economics, we will have opportunities to address a range of policy issues.

**Assignments:**

You will have four primary assignments in this class: An approximately 7-page (double-spaced) paper on an urban problem of your choice, a mid-term exam, a final exam, and a group project/presentation on a proposed solution to an urban problem of your group’s choice. The specific assignments and the percentage of your grade are outlined below:

|   |    |
|---|----|
| Class Participation   | 5% |
| Paper topic idea, one paragraph, due Sept. 2  | 5% |
| Note: Credit will be for turning in the one-paragraph idea. You will get 5% if you turn in your topic idea at the beginning of class or 0% if you do not turn in the topic idea on Sept. 2. |    |

|   |     |
|---|-----|
| Mid-Term Exam, in class, Oct. 7                                   | 25% |
| Approximately 7-page paper, due Oct. 19                           | 20% |
| Group Presentations (group grade), Nov. 30 and Dec. 2             | 15% |
| Peer (group member) evaluation of group participation, due Dec. 4 | 5%  |
| Final Exam, Dec. 11   | 25% |

### **7-page paper:**

You will pick an urban problem or urban topic of your choice and write an approximately seven-page background paper describing that problem. I will interpret “urban” fairly broadly, to allow a range of student interests. Your paper should discuss the economics of the problem in some way, but the main goal of the paper is to learn about the problem that you have chosen. Your paper will include the following steps:

Sept. 2 (Weds.): Turn in a one-paragraph statement of your proposed paper topic.

Sept. 28 and 30 (Mon. and Weds.): I will meet with students individually, in 15- to 20-minute time slots, to advise you on your paper. To get the most out of these meetings, it will help if you have begun your research and bring a short list of references and a brief outline to these meetings. We will schedule students into time slots closer to Sept. 28.

Oct. 19: Paper due

### **Group Project/Presentation:**

After you have learned about an urban problem, it is time to develop a proposed solution. You will do this in groups. Groups will be assigned later in the semester. Each group will have three persons, with some four-person groups if enrollment is not a multiple of three. Groups will choose an urban problem to solve. Example problems include affordable housing, traffic congestion, reducing greenhouse gas emissions, neighborhood segregation, or the like. Your interests and your previous research on your individual paper can guide you. Your group might choose to solve a problem that one group member examined in their background paper, or an entirely new problem. The solution will be presented in a group presentation, using appropriate visual tools (e.g. powerpoint) and background research. Your solution should discuss the economics of your proposed solution.

***Each group member must speak during the group presentation.***

Group presentations will proceed on this schedule:

Nov. 2 and 4 (Mon. and Weds.): Groups meet with me to get advice on their project. By this time your group should have selected a problem that you will solve, and you should have done some thinking about the roles and tasks of each group member. Group meetings will be 30 to 35 minutes, and groups will be scheduled in advance.

Nov. 30 and Dec. 2 (Mon. and Weds): Group presentations, 30 minutes each, including class discussion and questions

Most likely, each group member will receive the same grade for the group presentation. Exceptions might be made in cases where some group members did not contribute effectively to the team effort, although I anticipate that those cases will be rare. Each group will write a very short (a half-page will typically suffice) evaluation of their other group members' roles, and their own role, and suggest grades for the other group members and themselves. That will be advisory to Professor Boarnet to inform his determination of the peer evaluation grades.

**Exams:** The exams (midterm and final) will cover both lectures and assigned readings. Some lectures will expand on the readings or introduce material not covered in the readings. Some concepts will be covered more thoroughly in lectures while other concepts will draw primarily on the readings. The lectures and readings complement each other – they are not substitutes for each other. Students are advised to both complete the assigned readings and attend class lectures.

**Class Discussion:** Students are expected to come to class prepared to participate in class discussion. This includes reviewing readings that are listed as reference for each day.

**Textbooks:**

The required textbook for this course is:

*Urban Economics*, 7<sup>th</sup> or 8<sup>th</sup> Edition, by Arthur O'Sullivan, McGraw-Hill Irwin.

This text is available at the USC bookstore. The list price is, well, expensive. This textbook has been the classic urban economics reference for approximately 25 years, in several editions, so those of you who are serious about urban economics may want to buy the most recent edition. Everyone in the class will need a copy of the book, because the largest portion of the readings are from the required textbook. The 7<sup>th</sup> edition may be less expensive, and might be available from web-based booksellers. I have reviewed the table of contents for both the 7<sup>th</sup> and 8<sup>th</sup> editions, and among the chapters that we will read those two editions differ primarily in their treatment of transportation. All page numbers and chapters listed in the course schedule, below, refer to the 8<sup>th</sup> edition.

**Important:** If you wish to save money and purchase the 7<sup>th</sup> edition of O'Sullivan's *Urban Economics*, please do so. The 7<sup>th</sup> edition will work fine, but it is up to you to figure out how to cross-reference the chapter/page numbers listed in this syllabus for the 8<sup>th</sup> edition to the 7<sup>th</sup> edition. I am happy to help with that if you ask.

**Also Important:** The web page for this class somehow lists the 8<sup>th</sup> edition as required and the e-book version of the 8<sup>th</sup> edition as recommended. I suspect this is because of a mistake that I made when using the online book ordering tool. You only need one version of the book, 7<sup>th</sup> or 8<sup>th</sup> edition.

**Statement for Students with Disabilities:**

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. I will provide the accommodations required by DSP, but requests for accommodations must be made before assignments are due, not after. A letter of verification for approved accommodations can be obtained from DSP. The letter of verification should be delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. Website and contact information for DSP:

[http://sait.usc.edu/academicsupport/centerprograms/dsp/home\\_index.html](http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html), (213) 740-0776 (Phone), (213) 740-6948 (TDD only), (213) 740-8216 (FAX) [ability@usc.edu](mailto:ability@usc.edu).

**Statement on Academic Integrity:**

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, ([www.usc.edu/scampus](http://www.usc.edu/scampus) or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

By turning in assignments, you are certifying that the work is your own and does not plagiarize or otherwise use other works without appropriately citing the reference. Typically most students (almost all) are honest and seek to learn without copying, cutting or pasting without full attribution and quotation marks, or otherwise violating rules. I will trust that students are obeying the precepts of academic honesty, but that creates an obligation on the part of students to uphold that trust. If you have any questions about academic honesty regulations, please contact the professor before an assignment is submitted. Violations of academic honesty are serious matters, and will be handled in accordance with USC policies.

**Emergency Preparedness/Course Continuity in a Crisis:**

If an emergency occurred, the very first question in your mind would be, "How can I continue today's class?" Fortunately, the USC administration has anticipated that possibility, and has developed the following statement:

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

## Course Schedule and Readings

| <b>Date</b> | <b>Week</b> | <b>Topic</b>                                      | <b>Readings</b>   | <b>Assignments Due</b>        |
|-------------|-------------|---|---|-------------------------------|
| Aug. 24     | 1           | Introduction                                      |   |                               |
| Aug. 26     |             | Why Cities?                                       | Jane Jacobs, <i>Economy of Cities</i> , these sections:<br>Cities First, then Rural Development, pp. 3-18<br>How New Work Begins, pp. 49-55<br>The Valuable Inefficiencies of Cities, pp. 85-93<br>Explosive City Growth, pp. 145-150<br>Los Angeles and other Cases of Explosive Growth, pp. 150-159<br>Economic Conflict: Stagnation and Development, pp. 247-251 |                               |
| Aug. 31     | 2           | Continue with Jacobs on “Why Cities”              | Continue readings from Aug. 28  | One paragraph paper topic due |
| Sept. 2     |             | Market Forces in City Economies;<br>Agglomeration | Five Axioms, O’Sullivan, pp. 7-11<br>Agglomeration, O’Sullivan Chapter 3<br>Optional reading from Krugman, “Geography and Trade”  |                               |
| Sept. 7     | 3           | Labor Day, no class                               |   |                               |
| Sept. 9     |             | Cities in History and Global Urbanization         | Angel, pp. 77-95  |                               |
| Sept. 14    | 4           | Geography of World Urbanization                   | Angel, pp. 97-109   |                               |
| Sept. 16    |             | Monocentric Urban Model                           | O’Sullivan Chapter 6 (which has more technical detail than you will be tested on, but this is good for persons seeking advanced economics learning)<br>Alonso, to be posted to Blackboard   |                               |
| Sept. 21    | 5           | Are cities really monocentric?                    | O’Sullivan, Chapter 7, pp. 161-181  |                               |
| Sept. 23    |             | Urban Sprawl                                      | O’Sullivan, Chapter 7, pp. 181-189  |                               |
| Sept. 28    | 6           | Discuss paper topics                              |   |                               |
| Sept. 30    |             | Discuss paper topics                              |   |                               |
| Oct. 5      | 7           | Zoning and Land Use Controls                      | O’Sullivan, Chapter 9   |                               |
| Oct. 7      |             | Mid-Term Exam                                     |   | Mid-Term Exam,                |

|         |        |   |                                     |                     |
|---------|--------|---|-------------------------------------|---------------------|
|         |        |   |                                     | in class            |
| Oct. 12 | 8      | Continue Zoning and Land Use Controls                   | O'Sullivan, Chapter 9               |                     |
| Oct. 14 |        | Transportation: Traffic Congestion                      | O'Sullivan, Chapter 10, pp. 257-272 |                     |
| Oct. 19 | 9      | Transportation: Air Quality, Poverty and Transportation | O'Sullivan, Chapter 10, pp. 275-284 | paper due           |
| Oct. 21 |        | Guest Speaker, TBD                                      |                                     |                     |
| Oct. 26 | 10     | Basic Economics of Housing                              | O'Sullivan, Chapter 14              |                     |
| Oct. 28 |        | Housing Policy (esp. affordable housing policies)       | O'Sullivan, Chapter 15              |                     |
| Nov. 2  | 11     | Discuss group presentations                             |                                     |                     |
| Nov. 4  |        | Discuss group presentations                             |                                     |                     |
| Nov. 9  | 12     | Local Government, Tiebout Sorting and Scale Economies   | O'Sullivan, Chapter 16, pp. 411-422 |                     |
| Nov. 11 |        | Guest speaker, TBD                                      |                                     |                     |
| Nov. 16 | 13     | Land Value Capitalization                               | Readings TBD                        |                     |
| Nov. 18 |        | Property Taxes  | O'Sullivan, Chapter 17, pp. 431-445 |                     |
| Nov. 23 | 14     | Catch up, as needed                                     |                                     |                     |
| Nov. 25 |        | No class, Thanksgiving break                            |                                     |                     |
| Nov. 30 | 15     | Group Presentations                                     |                                     | Group Presentations |
| Dec. 2  |        | Group Presentations                                     |                                     | Group Presentations |
| Dec. 11 | Friday | Final Exam, 2-4 p.m.                                    |                                     | Final Exam          |