

Spring 2005
T-Th 2:30-4:00.
<http://mit.edu/14.573/www/>

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Cities and Regions: Urban Economics and Public Policy.

This course applies economic theory and formal models to the understanding of a range of planning-public policy questions that exist in an urban-regional context. An "intermediate" level understanding of economics is a prerequisite. The course requirements include a mid term and final exam, as well as several problem sets.

COURSE OUTLINE REVISED SCHEDULE

- I. The structure of Cities: Land Use and Transportation (2/1 – 2/15)
 - 1. Land markets and land use
 - 2. Congestion theory, Auto Bottlenecks, public Transportation
 - 3. Regional Land use planning.EXERCISE: 2-mode congestion/investment model (2/15 – 2/25)

- II. Urban Labor Markets (2/17 – 3/1) (no class 2/22)
 - 1. Job Decentralization and wage variation
 - 2. Spatial Mismatch in worker-job matching.
 - 3. Local labor market agglomeration, increasing returns

- III. Urban Housing Markets (3/3 – 3/8) (no class 3/10)
 - 1. Models of market transactions/friction.
 - 2. Supply, durable capital, Redevelopment.

- IV. Ghettos and the spatial concentration of urban poverty (3/29 – 3/31)
 - 1. Ghettos and economic outcomes
 - 2. Spatial SegregationEXERCISE: Multiple equilibrium (3/15 – 4/5)

- MID TERM (4/5)

- V. Local governments, local externalities, land development controls (4/7)
 - 1. Zoning and land use externalities
 - 2. Growth controls, extractions

- VI. Tiebout, Sorting and Community competition (4/12 – 4/14)
 - 1. Classical "club" models
 - 2. Competition within land markets
 - 3. Empirical tax capitalizationEXERCISE: locational sorting with public goods (4/7 – 4/14)

VII. Local Public Goods and services: Schooling (4/19 – 4/21) (note class will be held 4/19)

1. Public versus Private delivery
2. Institutions and Efficacy: vouchers, performance, contracting...

VIII. Local Public Goods and services: law enforcement (4/26 – 4/28)

1. Production function issues and policy efficacy
 2. The spatial concentration of crime.
- EXERCISE: public choice with production functions (4/21 – 4/28)

IX. Regional Growth and factor Competition (5/3 – 5/5)

1. The causes of economic growth, supply versus demand.
2. Regional convergence, response functions, historical decompositions.

X. Interregional Tax/policy competition (5/10 – 5/12)

1. Tax and Policy competition models, Nash equilibria.
 2. Industrial development incentives, taxes, investment impacts.
- EXERCISE: a 2-region model with differential taxation (5/5 – 5/12)

XI. Fiscal systems: Federal-state-local 5/12) (Material Dropped)

1. Assignment of responsibility issues
2. Grants, responses, incentives and control

FINAL (week of 5/16)

READING LIST

I. The Structure of Cities: Land Use and Urban Transportation

Wheaton, William, "Residential Decentralization, Land Rents, and the Benefits of Urban Transportation Investment," AER, 67, 2, (March, 1977).

<http://www.jstor.org/cgi-bin/jstor/listjournal>

Keeler, T. and K. Small, "Optimal Peak-Load Pricing, Investment, and Service Levels on Urban Expressways," JPE, 85, 1, (1977), 1-25. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Arnott, R., A. de Palma, and R. Lindsey, "The Economics of a Bottleneck," Journal of Urban Economics, 27, (1990), pp 111-130.

Wheaton, William. "Land Use and Density in Cities with Congestion", Journal of Urban Economics, 43, 2 (1998) pp 258-272.

Marvin Kraus, "A New Look at the 2 Mode Problem", Journal of Urban Economics, 54,3, November 2003, pp 511 - 530.

II. Job Decentralization and Urban Labor Markets

Timothy, Darien, W. Wheaton "Intraurban Wage Variation, Employment Location and Commuting Times", Journal of Urban Economics, 50, 2 (September, 2001), pp 338-366.

Wheaton, William, "Commuting, Congestion and Employment Dispersal in Cities with *Mixed* Land Use", Journal of Urban Economics , 55,3, May 2004, pp 417-438.

McMillen, D. and S. Smith, "The Number of Subcenters in large Urban Areas" Journal of Urban Economics, 53, 3, (May, 2003), pp. 321-339.

Rogers, Cynthia, "Job Search and Unemployment Duration...", Journal of Urban Economics, 42,1 (1997), pp 109-132.

Jan Rouwendal, " Search Theory, Spatial Labor Markets and Commuting", Journal of Urban Economics, 43,1, January 1998, pp 1-22.

Kim, S. "Labor Specialization and the Extent of the Market", JPE, 97, (1989).
<http://www.jstor.org/cgi-bin/jstor/listjournal>

Rauch, James. "Does History matter when it matters only a little: the case of city industrial location", QJE, CVIII,3 (August, 1993). <http://www.jstor.org/cgi-bin/jstor/listjournal>

S. Raphael and L.Rice, "Car Ownership, employment and Earnings", Journal of Urban Economics, 52,1, July 2002, pp 109-131.

III. Urban Housing Markets: Supply and Transactional Frictions.

Arnott,R, "Housing Vacancies, Thin Markets, Idiosyncratic tastes.", Journal Real Estate Finance and Economics,2,(1990), pp 5-30.

Per Lundborg, Per Skedinger, "Transaction Taxes in a Search Model of the Housing Market", Journal of Urban Economics, 45,2, March 1999.

Mayer, Chris, and Tsur Somerville, "Residential Construction: using the Urban Growth Model to estimate Housing supply", Journal of Urban Economics, 48,1 (2000) pp 85-109.

Bengte Evenson, "House Price Variation across Local Markets: a supply side view", University of Nevada at Las Vegas (December, 2004). PDF

Rosenthal, Stuart and R. Helsley, "Redevelopment and the Urban Land Price Gradient", Journal of Urban Economics, 35, 2 (1994) pp 182-200.

Joseph Gyrouko and Albert Saiz, "Reinvestment in the housing stock: the role of construction costs and the supply side", Journal of Urban Economics, 55,2, March 2004, pp 238-256.

IV. Ghettos, segregation and urban Poverty

Boras, George, "Ethnicity, Neighborhoods and Human Capital Externalities", AER, 85, 3, June, 1995. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Denise DiPasquale and Ed Glaeser, "Incentives and Social Capital: are Homeowners better citizens?", Journal of Urban Economics, 45,2, March 1999, pp 354-384.

Galster, G."A Bid Rent Analysis of Housing Market Discrimination", AER, (1977), p144-155. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Rolland Benabou, "Workings of a city: Location, Education and Production", QJE, 108,3,(August, 1993). <http://www.jstor.org/cgi-bin/jstor/listjournal>

Cutler, David, Glaeser, Edward L., "Are Ghettos Good or Bad", Quarterly Journal of Economics, 112,3, August 1997. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Ludwig, Jens, Greg Duncan and Paul Hirschfield, "Urban Poverty and Juvenile Crime: Evidence from a Randomized Housing Mobility Experiment", QJE, CXVI, 2 (2001) pp655-681. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Ihanfeldt, K. and D. Sjoquist, "Job Accessibility and Racial Differences in Youth Unemployment Rates", American Economic Review, 80 (1990), pp 267-276. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Romans Pans and M. Vriend, "Schelling's Spatial Proximity Model of Segregation Revisited", WP 487, Department of Economics, Queen Mary University of London (January, 2003), <http://d.repec.org/n?u=RePEc:sce:cplx03:15&r=ure>

V. Development Restrictions and Land Use controls.

Speyrer, Janet, "The Effect of Land Use Restrictions on Market Values of Single Family Homes in Houston," Journal Real Estate Finance and Economics, 2,1989, pp 117-130.

Grether, and Mieszkowski, "The effects of land use on the prices of adjacent housing", Journal of Urban Economics, July, 1980

Asabere,P., Hachey,G., Grubaugh,S. "Architecture, Historic Zoning and the Value of Homes." Journal of Real Estate Finance and Economics (September 1989)

Dale-Johnson, David and Hyang Yim, "Coastal Development Moratoria and Housing Prices", Journal of Real Estate Finance and Economics, 3,2, (June 1990).

Jan Brueckner, "Testing for Strategic Interaction among Local Governments.." Journal of Urban Economics, 44,3, November, 1998, pp 468-493.

Bengte Evenson and William Wheaton, "Measuring and Modeling Local Land Use Regulation", MIT, Department of Economics, (October 2004). PDF

VI. Tiebout, sorting and community competition

Wheaton, William, "Land Capitalization, Tiebout Mobility and the Role of Zoning Regulations," Journal of Urban Economics 34, 2 (1993), pp 102-117.

David Brasington, "Edge versus Center: finding common ground in the capitalization debate",

Journal of Urban Economics, 52, 3, (November 2002), pp 524-541.

Fischel, W. "Fiscal and Environmental Considerations in the Location of Firms", in Mills and Oates (ed) Fiscal Zoning and Land Use Controls, (Lexington, 1975)

Dennis Epple, Holger Sieg, "Estimating Equilibrium Models of Local Jurisdictions", JPE, 107, 4, (1999), pp 645-682. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Tom Davidoff, "Income Sorting, measurement and decomposition", Haas School, University of California, Berkeley, June 2004. PDF

VII. Local Public Goods: Schooling

Schwab, Robert, and Ernest Zampelli, "Disentangling the Demand Function from the Production Function for Local Public Services," Journal of Public Economics, 33, 2, (1987), 245-260.

Card, David, and A. Krueger, "Does School Quality Matter...", JPE, 100, 1 (1992).
<http://www.jstor.org/cgi-bin/jstor/listjournal>

Edward Lazear, "Educational Production", QJE, CXVI, 3 (2001), pp. 777-805.
<http://www.jstor.org/cgi-bin/jstor/listjournal>

Hoxby, Caroline, "Does Competition among Public Schools benefit Students and Taxpayers?" AER, 90, 5, (2000), pp. 1209-1239.
<http://www.jstor.org/cgi-bin/jstor/listjournal>

Richard Buddin, Joseph Cordes, Sheila Kirby, "School Choice in California: Who chooses private schools?" Journal of Urban Economics, 44, 1, (July, 1988), 110-134.

Epple, Dennis and Richard Romano, "Public Provision of Private Goods", JPE, 104, 1, (February, 1996). <http://www.jstor.org/cgi-bin/jstor/listjournal>

Neechyba, Thomas, "Mobility, Targeting, and Private-School Vouchers", AER, 90, 1 (March 2000), pp 130-146. <http://www.jstor.org/cgi-bin/jstor/listjournal>

VIII. Local Public Goods: Law Enforcement

Ehrlich, I., "On the Usefulness of Controlling Individuals: Rehabilitation, Incapacitation, and Deterrence", AER, 71, 3, (June, 1981), pp. 307-322. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Levitt, Steven, "The Effects of Prison Population on Crime Rates...", QJE, CXI (2) (May, 1996). <http://www.jstor.org/cgi-bin/jstor/listjournal>

Behrman, J. and S. Craig, "The Distribution of Public Services:....", AER, 77, 1, (March, 1987), pp. 37-49. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Steven Levitt, "Using Electoral Cycles in Police Hiring to Estimate the Effect of Police on Crime,"

AER,87,3 (June, 1997), pp 270-291. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Scott Freeman, J. Grogger, Jon Sonstelie, "The Spatial Concentration of Crime", Journal of Urban Economics, 40,2 (1996), pp 216-231.

Robert Helsley and William Strange, "Gated Communities and the Economic Geography of Crime", Journal of Urban Economics, 46,1 (1999), pp 80-105.

Elizabeth Newlon, "Spillover Crime and Jurisdictional Expenditure on Law Enforcement", (Department of Economics, University of Kentucky, April 2001) PDF

IX. Regional Growth and Factor Competition.

Coulson, N.Edward, Steven Rushen "Sources of Fluctuation in the Boston Economy", Journal of Urban Economics,38 (1995), pp 74-94.

Blanchard, Olivier and Larry Katz, "Regional Evolutions", Brookings Papers on Economic Activity, 1:1992, pp.1-61.

Dumas, Guy, Glenn Ellison, and Edward Glaeser, "Geographic Concentration as a Dynamic Process", NBER Working Paper 6270, November 1997.
<http://papers.nber.org/papers/W5658.pdf>

Roback, J. "Wages, Rents and the Quality of Life", JPE, Dec., 1982
<http://www.jstor.org/cgi-bin/jstor/listjournal>

Gabias, Xavier "Zipfs Law for Cities...", QJE , CXIV, 3 (August 1999), pp739-768.
<http://www.jstor.org/cgi-bin/jstor/listjournal>

X. Interregional Tax and Policy competition

Holmes, Thomas, "The effect of State Policies on the Location of Manufacturing:Evidence from State Borders", Journal of Political Economy, 106, 4, (1998), pp 667-706.
<http://www.jstor.org/cgi-bin/jstor/listjournal>

Wildasin, D. "Income Redistribution in a Common Labor Market," AER, 81, 4, (September, 1991), pp. 757-774. <http://www.jstor.org/cgi-bin/jstor/listjournal>

Bucovetsky, S. "Asymmetric Tax Competition" Journal of Urban Economics, 30, (1991), 167-181.

Saavedra, Luz , "A Model of Welfare Comptition with evidence from AFDC," Journal of Urban Economics, 47, 2 (2000), pp 248-279.

Wheaton,William, "Decentralize Welfare: Is There a Race to the Bottom? ", Journal of Urban Economics, 48, 3 (November, 2000), pp 536-555.

Per Fredriksson and D. Millimet. "Strategic Interaction and the Determinants of Environmental Policy across US States", Journal of Urban Economics, 51,1 (January 2002), pp 101-122.

XI. Fiscal Systems: Federal-state-local. **[Material Dropped]**

Hochman, Oded, David Pines and Jacques Thisse, "On the Optimal Structure of Local Governments", AER , 85,5, (December 1995).

<http://www.jstor.org/cgi-bin/jstor/listjournal>

Gramlich, E., "Intergovernmental grants: a Review of the Empirical Evidence," in Oates (ed), Political Economy of Fiscal Federalism, (Lexington, 1977), pp. 219-239.

Wildasin, D. "The Demand for Public Goods in the Presence of Tax Exporting," National Tax Journal, 40, 4, (December, 1987), pp 591-601.

Thomas Nechyba, "Local Property Taxes and State Income Taxes, the Role of Competition and Collusion", JPE, 105, 2, 1997.

<http://www.jstor.org/cgi-bin/jstor/listjournal>

Brian Knight "Endogenous Federal Grants and Crowd out of State Government Spending:...", American Economic Review , 92, 1 (March 2002), pp 71-93.