

UP 509: ECONOMICS FOR PLANNERS

Fall 2018, Department of Urban and Regional Planning, University of Illinois at Urbana-Champaign

LECTURES:	Tuesdays and Thursdays, 11:00 am-12:20 am, Room TBH 225
INSTRUCTOR:	Bumsoo Lee, bumsoo@illinois.edu
OFFICE HOURS:	TBH M206, 10:00 am-10:50 am on Tuesdays and by appointment

COURSE OVERVIEW

Cities are the “engines of growth” because creative and innovative activities are concentrated in cities. Cities are also where most problems of the modern society such as poverty, pollution, congestion, crime, and housing shortage are found. This course takes an economic approach to understanding urban problems and planning issues. We learn and use economic theories and models to understand how cities and regions function, to analyze urban problems, and to evaluate urban policies.

UP509 is designed to provide students with working knowledge and tools in microeconomics, public sector economics, and urban economics that are applicable to many urban problems and planning issues. Among the topics to be covered are:

1. Review of tools in intermediate microeconomics
2. Market failures and rationales for planning
3. Cost-benefit analysis
4. Agglomeration economies and urban growth
5. Economics of urban spatial structure and sprawl
6. Economics of land use regulation
7. Economics of traffic congestion
8. Public choice and local governments
9. Economics of housing subsidies
10. Economics of pollution & greenhouse gas emissions

TEXTBOOK

Arthur O’Sullivan. 2012. *Urban Economics 8th Edition*. Boston, MA: McGraw-Hill/Irwin. Required. An earlier edition of the text is fine.

Anne C. Steinemann. 2011. *Microeconomics for Public Decisions, 2nd edition*. Askmar Publishing. This book is not required, but highly recommended. Any other *Intermediate Microeconomics* text will be a good substitute. E-book of the text is available at <http://www.askmarpublishing.com/books/microeconomics.html>.

Additional reading materials (journal and magazine articles) or the links to them will be posted on the Illinois Compass course webpage (<http://compass2g.illinois.edu>). Students should read *required* reading assignments before coming to class and active participation in class discussions will be credited in the final grade.

All the lecture notes will also be posted on the course webpage, which will reduce the time needed for note taking in class. Check the website frequently for lecture notes, assignments and other materials.

EVALUATION

Exam 1	20 %	Assignments	20 %
Exam 2	25 %	Policy memo (or Research paper)	25 %
		Class Participation	10 %

Random attendance checks will be taken. Poor attendance will not result in automatic failure, but 1 point per each absence will be deducted from your final grade.

Two small homework assignments and one policy memo (or research paper) will be given. Detailed guidelines for assignments and policy memo will follow.

POLICIES

EXAMS:	Exams are not cumulative. An alternate exam time for the final exam can be set for students with a legitimate conflict if a request is made by November 20 th .
LATE ASSIGNMENTS:	Late submission of assignments or memo will be penalized by 20% per day.
SPECIAL ACCOMMODATIONS	This course will accommodate students with documented disabilities. Please refer to http://disability.illinois.edu/disability-resource-guide for more information and provide the appropriate documentation at the beginning of the semester.
ACADEMIC INTEGRITY	This course follows the guidelines set forth by the University student code. See http://studentcode.illinois.edu/article1_part4_1-401.html for specific guidelines, examples, and punishment associated with academic dishonesty.
CLASS CLIMATE	The Department of Urban and Regional Planning (DURP) is committed to creating an environment of inclusion and opportunity that is rooted in the very goals and responsibilities of practicing planners. Conduct that interferes with the rights of another or creates an atmosphere of intimidation or disrespect is inconsistent with the environment of learning and cooperation that the program requires. By enrolling a course in the Department of Urban and Regional Planning, students agree to be responsible for maintaining a respectful environment in all DURP activities, including lectures, discussions, labs, projects, and extracurricular programs. We will be governed by the University Student Code. See Student Code Article 1—Student Rights and Responsibilities, Part 1. Student Rights: §1-102 In the Classroom.
LAPTOP and CELL PHONE USE	Laptop computers should be used only for note taking. <u>No web surfing!</u> <u>No texting!</u> These may affect your class participation grade.
EMERGENCY RESPONSE RECOMMENDATIONS	The Department of Homeland Security and the University of Illinois at Urbana-Champaign Office of Campus Emergency Planning recommend the following three responses to any emergency on campus: RUN > HIDE > FIGHT

For more information, <http://police.illinois.edu/emergencyplanning/general/>

COUNSELING CENTER The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. The Counseling Center provides individual, couples, and group counseling. All of these services are paid for through the health services fee. The Counseling Center offers primarily short-term counseling, but they do also provide referrals to the community when students could benefit from longer term services.
<https://counselingcenter.illinois.edu/>

COURSE SCHEDULE

* indicates optional readings.

Week 1	Aug 28	<p>Introduction and Course Overview Syllabus. Why do planners study economics?</p>
	Aug 30	<p>Tools of Microeconomics 1: Market and Price The basics of supply and demand, the market mechanism, elasticities O’Sullivan (2009) Appendix 1. Marginal decision making & 2. Product market Steinemann et al. (2005) Ch. 2 & Ch. 3 or Corresponding chapters of your own microeconomics text</p>
Week 2	Sep 4	<p>Tools of Microeconomics 2: Demand Theory Consumer choice, indifference curve, individual and market demand curves O’Sullivan (2009) Appendix 4. Consumer choice Steinemann et al. (2005) Ch. 4 or Corresponding chapters of your own microeconomics text</p>
	Sep 6	<p>Tools of Microeconomics 3: Supply Theory Production and costs, economies and diseconomies of scale, average and marginal cost, supply curve O’Sullivan (2009) Appendix 5. Input choice O’Sullivan (2009) Ch. 1 Axiom 4 & Axiom 5 Steinemann et al. (2005) Ch. 5 or Corresponding chapters of your own microeconomics text</p>
Week 3	Sep 11	<p>Tools of Microeconomics 4: Competition, Efficiency, and Welfare Analysis of competitive markets, consumer and supply surplus, efficiency, welfare Steinemann et al. (2005) Ch. 6 & Ch. 7 or Corresponding chapters of your own microeconomics text</p>
	Sep 13	<p>Market Failures 1: Externalities Externalities and inefficiency, correcting externalities O’Sullivan (2009) Ch. 1 Axiom 3 Steinemann et al. (2005) Ch. 9 or Corresponding chapters of your own microeconomics text</p>
Week 4	Sep 18 <i>Term paper abstract due</i>	<p>Market Failures 2: Public Goods Types of public goods, demand for public goods, public goods provision Steinemann et al. (2005) Ch. 10</p>

Sep 20 **Market Failures 3: Other Market Failures and Rationales for Planning**
Natural monopoly
Steinemann et al. (2005) Ch. 8
Gupta. 2011. *Analyzing Public Policy: Concepts, Tools, and Techniques*.
Washington, D.C.: CQ Press. Chapter 3 Government and the market. pp. 47-74.

Week 5 Sep 25 &
 Sep 27 **Cost-Benefit Analysis 1: Tools of Cost-Benefit Analysis (2 sessions)**
Time value of money, NPV, B/C ratio, IRR
Steinemann et al. (2005) Ch. 12, Ch. 13, and Ch. 14
*ECO Northwest, and Parsons Brinckerhoff Quade & Douglas. 2002. Estimating the benefits and costs of public transit projects: a guidebook for practitioners. Edited by N. R. C. Transportation Research Board. Vol. 78, Transit Cooperative Research Program. Washington, D.C.: National Academy Press.

Week 6 Oct 2 &
 Oct 4 **Cost-Benefit Analysis 2: Contingent Valuation (2 sessions)**
Contingent valuation, case studies of cost-benefit analysis
Hanemann, W. M. (1994) Valuing the environment through contingent valuation. *Journal of Economic Perspectives* 8 (4): 19-43.
*Lindsey, G, and G Knaap (1999) Willingness to pay for urban greenway projects. *Journal of the American Planning Association* 65 (3):297-313.

Week 7 Oct 9 **EXAM 1 (In class)**

Oct 11
Assignment
#1 due **LAB: Regression Analysis in Excel**
Pindyck, R. S. and D. Rubinfeld. 2009. *Microeconomics 7th ed.* Upper Saddle River, NJ: Pearson. Appendix The basics of regression. pp. 687-694.
*Welch, S. and J. Comer. 2006. *Quantitative Methods for Public Administration: Techniques and Applications 3rd ed.* Long Grove, IL: Waveland Press. Chapters 8 & 9, pp. 212-259.
Students are required to bring a laptop computer with Microsoft-Excel installed.

Week 8 Oct 16 **Definition of and Rationales for Cities**
Definition of cities. Why do cities exist?
O’Sullivan Ch. 2 & 3
OMB (2000) Standards for defining metropolitan and micropolitan statistical areas: Notice. *Federal Register* 65 (249).

Oct 18 **Agglomeration Economies and Clusters**
Urbanization & localization economies, technological development and cities
O’Sullivan Ch. 3
Rosenthal, Stuart and William Stranger (2003) Evidence on the nature and sources of agglomeration economies. Henderson, Vernon and J. Thisse (eds.) *Handbook of Regional and Urban Economics 4: Cities and Geography*. Elsevier.
*Glaeser, Edward (1998) “Are cities dying?” *Journal of Economic Perspectives* 12: 139-160.

Week 9	Oct 23 <i>Assignment #2 due</i>	Urban and Regional Growth Urban growth theories, costs and benefits of growth O'Sullivan Ch. 4 and Ch. 5 *Glaeser, Edward L. 2009. The reinventive city. <i>City Journal</i> Special Issue. http://www.city-journal.org/2009/nytom_reinventive-city.html .
	Oct 25	No class due to the ACSP Conference
Week 10	Oct 30 <i>Progress report due</i>	Economics of Urban Spatial Structure (2 sessions) O'Sullivan Ch. 6 and Ch. 7 *Kraus, Marvin. 2007. Monocentric cities. In <i>A Companion to Urban Economics</i> , edited by R. J. Arnott and D. P. McMillen. Malden, MA: Blackwell Publishing, 96-108. (ER)
	Nov 1	O'Sullivan Ch. 7 Lang, Robert E., and Jennifer LeFurgy. 2003. Edgeless cities: Examining the noncentered metropolis. <i>Housing Policy Debate</i> 14 (3):427-460. *Clark, William. A. V. 2000. Monocentric to polycentric: New urban forms and old paradigm. In <i>A Companion to the City</i> , edited by G. Bridge and S. Watson. Oxford, UK: Blackwell.
Week 11	Nov 6 Nov 8	Public Choice and Local Government (2 sessions) O'Sullivan Ch. 8, Ch. 15, and Ch. 16 Tiebout, C. M. 1956. A pure theory of local expenditures. <i>Journal of Political Economy</i> 64 (5):416-424. Mitchell-Weaver, C., D. Miller, and R. Deal. 2000. Multilevel governance and metropolitan regionalism in the USA. <i>Urban Studies</i> 37 (5-6):851-876. * Ross, S., and J. Yinger. 1999. Sorting and voting: A review of the literature on urban public finance. In <i>Handbook of Regional and Urban Economics</i> , edited by P. Cheshire and E. S. Mills: Elsevier B. *Kim, J. et al. 2013. Local and regional governance structures: Fiscal, economic, equity, and environmental outcomes. <i>Journal of Planning Literature</i> 28 (2): 111-123
Week 12	Nov 13 Nov 15	Economics of Urban Sprawl and Land Use Control (2 sessions) O'Sullivan Ch. 7 and Ch. 9 Brueckner, J. K. 2000. Urban sprawl: Diagnosis and remedies. <i>International Regional Science Review</i> 23 (2):160-171. Knaap, Gerrit-Jan. 2008. The sprawl of economics: A response to Jan Brueckner. In <i>Toward a Vision of Land in 2015: International Perspectives</i> , edited by G. C. Cornia and J. Riddell. Cambridge, MA: Lincoln Institute of Land Policy. *Heikkila, Eric J. 2000. Ch. 2 The economics of land use zoning. In Heikkila, Eric J. <i>The Economics of Planning</i> . New Brunswick, NJ: Center for Urban Policy Research, 27-47. *Wassmer, R. W. 2006. The influence of local urban containment policies and statewide growth management on the size of united states urban areas. <i>Journal of Regional Science</i> 46 (1):25-65.
	Nov 20 Nov 22	Happy Thanksgiving!

Week 13	Nov 27 Nov 29	Economics of Transportation (2 sessions) O'Sullivan Ch. 10 and Ch. 11 Levinson, D. 2010. Equity effects of road pricing: A review. <i>Transport Reviews</i> 30 (1): 33-57.
Week 14	Dec 4 Dec 6 <i>Term paper due</i>	Economics of Housing (2 sessions) O'Sullivan Ch. 13 and 14 *Brucato, P. F., J. C. Murdoch, and M. A. Thayer. 1990. Urban air-quality improvements- A comparison of aggregate health and welfare benefits to hedonic price differentials. <i>Journal of Environmental Management</i> 30 (3):265-279. *Quigley, John. 2000. A decent home: Housing policy in Perspective. <i>Brooking-Wharton Papers on Urban Affairs</i> , 53-99.
Week 15	Dec 11	Economics of Greenhouse Gas Emissions Pindyck, R. S. and D. Rubinfeld. 2009. <i>Microeconomics 7th ed.</i> Upper Saddle River, NJ: Pearson. 18.2 Ways of correcting market failure, pp. 651-660. *Clarke, H. 2011. Some basic economics of carbon taxes. <i>Australian Economic Review</i> 44 (2):123-136.

Dec 15 **EXAM 2**
Saturday (9:00-10:50am)

* indicates optional readings.