Advanced Policy Economics: Economics of Urban and Regional Policy
LBJ School of Public Affairs
COURSE SYLLABUS
Fall 2016

FACULTY: Robert H Wilson

COURSE: PA 393L (60490)

MEETING TIME: Wednesday 9:00-12:00

ROOM: SRH 3.216/219

OFFICE HOURS: W 1:30-3:00
SRH 3.222

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OBJECTIVES:
Economic structure and rates of economic growth vary across geography, as observed in
townships, center city, suburb and interregional differentials. The course will explore the
theories and empirical analyses used to explain how spatial economies function. By the
determined of urban form, land use and neighborhood choice are addressed. The course then shifts to an explicit focus on urban policy. The
constitutions and institutional context of local government and economic analysis ofurban services is discussed, followed by an examination of three important policies:
The course is most appropriate for students with interests in urban policy, regional and urban development, and state and local government. Although the course focuses principally on the US, attention is given to spatial economies and urban policy in other countries and students can choose to write a paper on cities and regions outside the US.

**TOPICS AND SCHEDULE:**

<table>
<thead>
<tr>
<th>Class Date</th>
<th>Topic</th>
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<tr>
<td>8/24</td>
<td>1. Introduction—Geography and Public Policy; Evolution of the Spatial Economy of the US</td>
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<td>8/31</td>
<td>2. Globalization, Cities and the Spatial Restructuring of the United States</td>
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<td>9/7</td>
<td>3. Work, Race and Poverty</td>
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<td>9/10</td>
<td>Optional review – Basics of Microeconomics (1:30-3:30, SRH 2.216/219)</td>
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<td>9/14</td>
<td>4. Urban and Regional Economic Growth</td>
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<td>Take home examination due on September 19, 5:00 pm</td>
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<td>9/21</td>
<td>5. Techniques of Urban and Regional Economic Analysis I: Export Base and Area Income Models, Location Quotients, and Shift-Share Analysis</td>
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<td>10/5</td>
<td>7. Techniques of Urban and Regional Economic Analysis II: Input-Output Analysis and Regional Econometric Models</td>
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<td>Problem Set I due on October 10, 5:00 pm</td>
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<tr>
<td>10/12</td>
<td>Student presentations of city profile (additional session TBD)</td>
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<td></td>
<td>City profile papers due on October 17, 5:00 pm</td>
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COURSE REQUIREMENTS AND STUDENT EVALUATION:

Students will be evaluated on six elements--two take-home exams, a city study paper (including the oral presentation of the paper), a problem set, a technical memorandum, and class participation. A take-home exam, covering topics 1-4, will be distributed September 14 due September 19 and a take-home final exam, covering topics 10, 13, and 14, will be available on November 30 and due on December 5. Each accounts for 20% of the final grade. The city study paper will be due on October 17 and will account for 25% of the final grade and an oral presentation of the paper on October 12 will account for 5% of the final grade. An exercise in technical memorandum writing addressing material from Topics 7 or 8, due on October 19, will account for 10% of the final grade. Four short problem sets covering Topics 6, 7, 9, 10 and 11 will be due on Mondays following the discussion of the topic and, in total, will account for 15% of the final grade. Further descriptions of the assignments will be provided on Canvas. Class participation will account for 5%.

Important dates:
- September 10: Optional review session—Basics of Microeconomics
- September 19: Take-home exam due
- October 10: Homework 1
- October 12: Oral presentation of papers
- October 17: City Study Paper due

10/19 8. Interregional Disparities, Factor Mobility and Regional Development

Memo assignment due on October 24, 5:00 pm

10/26 9. Cities and Suburbs: Determinants of Urban Form

Problem Set II due on October 31, 5:00 pm

11/2 10. Governance in Urban America: Structures and Policies

11/9 11. Urban Finance and Infrastructure Provision

Problem Set III due on November 14, 5:00 pm

11/16 12. Housing: Markets and Policies

Problem Set IV due on November 28, 5:00 pm

11/30 13. Economic Development Policy: Roles of States, Cities and Low-income Communities

Take home examination due on December 5

10/26 8. Interregional Disparities, Factor Mobility and Regional Development
October 24  Technical memorandum due
October 31  Homework 2
November 14  Homework 3
November 28  Homework 4
December 5  Final exam due

STUDENTS WITH DISABILITIES:

The University of Texas at Austin provides, upon request, appropriate academic accommodations for qualified students with disabilities. For more information, contact Services for Students with Disabilities (SSD), at (512) 471-6259 [voice] or (866) 329-3986 [video phone]

ACADEMIC INTEGRITY:

Students are expected to respect the LBJ School's standards regarding academic dishonesty. You owe it to yourself, your fellow students, and the institution to maintain the highest standards of integrity and ethical behavior. A discussion of academic integrity, including definitions of plagiarism and unauthorized collaboration, as well as helpful information on citations, note taking, and paraphrasing, can be found at the web page of the Office of the Dean of Students (http://deanofstudents.utexas.edu/sjs/acint_student.php) and the Office of Graduate Studies (http://www.utexas.edu/ogs/ethics/transcripts/academic.html). The University has also established disciplinary procedures and penalty guidelines for academic dishonesty, especially Sec. 11.304 in Appendix C of the Institutional Rules on Student Services and Activities section in UT's General Information Catalog.

READINGS:

The topics, key questions and readings for each class period are given below. The questions for each topic are intended to help guide students through the diverse and extensive readings. Students are expected to participate in class discussions and reading assignments should be completed prior to the class discussion of the topic. The readings can be found Canvas.

The primary text, recommended for purchase, for the course is:


A secondary text is frequently used, but copies of readings are available on Canvas


**Topic 1: Introduction to the Course and Geography and Public Policy; Evolution of the Spatial Economy of the US (August 24)**
How does a society’s economic organization affect its settlement patterns and politics? What are the sources of economic change and which factors most affect settlement patterns? How can comparative advantage affect a region’s development? What roles are played by transportation systems and migration?

**Required Readings:**

McDonald and McMillen, *Urban Economics and Real Estate*, chapters 1 and 4 (including appendix).


**Topic 2: Globalization, Cities and the Spatial Restructuring of the U.S. Economy (August 31)**

What are the prominent features of the contemporary global economy and patterns of urban growth? What factors are contributing to structural economic change and the emerging (referred to by some as the post-industrial or information) economy? How has the economic geography of the US, at the regional and urban level, been affected?

**Required Readings:**


**Supplemental Readings:**


**Topic 3: Work, Race, and Poverty (September 7)**

How has structural economic change affected poverty and earnings distribution? Have impacts varied by racial/ethnic group? What are the historical origins of spatial concentrations of the urban poor in ghettos and barrios? Is the spatial distribution of poverty changing? Are patterns of racial and ethnic residential segregation changing? Do center cities provide avenues for upward mobility for lower income and immigrant groups?

**Required Readings:**

*The State of Working America* (Economic Policy Institute)


Berube, Alan, “All Cities are Not Created Unequal,” Brookings Institution, Metropolitan Opportunities Series, February 20, 2014.  
http://www.brookings.edu/research/papers/2014/02/cities-unequal-berube

O’Flaherty, Brendan, City Economics (Cambridge: Harvard University Press, 2005), Chapter 11, 12.

**Supplemental Readings:**

McDonald and McMillen, Urban Economics and Real Estate, Chapter 18.


http://www.cbo.gov/doc.cfm?index=12485

Dan Zehr, “Income divides ease in Austin, but still higher than most large metros,” Austin American Statesman (May 8, 2016).  

Optional Review Session: Basics of Microeconomics (___________)

Review of the theory of (1) production, (2) the firm, (3) the consumer, and (4) efficiency and the market economy. Pareto optimality, Coase theorem and Deadweight lost

**Required Readings:**


**Topic 4: Urban and Regional Economic Growth (September 14)**

Why do regions export and what effect does exporting have on a region's economy? What roles do interindustry linkages play in development? How are growth prospects of a city or region related to economic structure? How do economic trends (e.g. globalization, technological and structural economic change) affect the growth prospects of regions?
**Required Readings:**

McDonald and McMillen, *Urban Economics and Real Estate*, pp. 443-446.


**Supplemental Readings:**


**Topic 5: Techniques of Urban and Regional Economic Analysis I: Location Quotient, Shift-Share Analysis and Export Base Models (September 21)**

How can export specialization be determined from the location quotient analysis? How does the shift-share analysis decompose economic growth? What determines the level of local demand in the export base model? What are the limitations, conceptual and in terms of data requirements, of each technique?

**Required Readings:**


Handouts--Export Base and Area Income Models, Indicators of Regional Economic Structure, Shift Share Analysis, Example from St. Louis.

**Supplemental Readings:**

See Data Sources on Canvas

**Topic 6: Neoclassical Growth Theory (September 28)**

How is economic growth modeled in the neoclassical framework? What questions are asked and what limitations are inherent in this approach? How does the consideration of agglomeration economies affect the modeling structure? What practical knowledge about metropolitan economies can be gained from current research efforts?

**Required Readings:**

**Supplemental Readings:**


**Topic 7: Techniques of Urban and Regional Economic Analysis II: Input-Output Analysis and Regional Econometric Models (October 5)**

How does input-output analysis incorporate interindustry linkages in the modeling of an economic system? How are multipliers derived from input-output models? How can I-O models be used in economic development planning? How can econometric modeling be applied to regional economies? What are the limitations, conceptual and in terms of data requirements, of each technique examined?

**Required Readings:**


**Handouts-Input-Output Analysis, Econometric Models**


**Supplemental Readings:**


**Topic 8: Interregional Disparities, Factor Mobility and Regional Development (October 19)**

What is the relationship between trade and regional specialization? Why does the mix in factors of production vary among regions? How do flows of factor of productions affect the regional economies? What will cause regional specialization
to change over time? What factors determine whether regional differences increase or decrease over time? How does enhanced capital mobility affect regional development?

**Required Readings:**


Handout--Interregional Flow of Labor and Capital.


**Supplemental Readings:**


Ganong, Peter and Daniel Shoag,"Why Has Regional Income Convergence in the U.S. Declined?" (January 2015)

**Topic 9. Cities and Suburbs: Determinants of Urban Form (October 26)**

How are cities organized spatially? What economic factors explain this organization? How is land value determined and what role does it play in urban form? What role do externalities play? What forces have led to suburbanization? Are new patterns of suburbanization appearing?
**Required Readings:**

McDonald and McMillen, *Urban Economics and Real Estate*, Chapters 6, 7, and 8.


**Supplemental Readings:**


**Topic 10: Governance in Urban America: Structures and Policies (November 2)**

How does the US federalist governmental system affect economic geography and development policy? How has the evolution of intergovernmental relations affected and been affected by economic change? What issues of public policy emerge in metropolitan areas and are existing systems of governance adequate for addressing these issues?

**Required Readings:**

Kantor, *Dependent City*, Chapter 7.


Supplemental Readings:


**Topic 11: Urban Finance and Infrastructure Provision (November 9)**

What economic principles can be used in assigning functions to different levels of governments? How is local government organized? What taxation and expenditure patterns are found in local government? What contribution does economic analysis make in determining levels and organizational forms of economic infrastructure?

**Required Readings:**


**Topic 12: Housing: Markets and Policies (November 16)**
What factors affect housing values and choices made by consumers? How do neighborhood characteristics affect housing prices? What institutions shape the housing market and why public policies in the housing needed? What forms do these policies take and how have they evolved over time? What are the causes of the current housing crisis and what have been the effects on cities?

**Required Readings:**


McDonald and McMillen, *Urban Economics and Real Estate*, Chapters 9 (skim), 10 and 11.


**Supplemental Readings:**


Vale, Lawrence J. *From the Puritans to the Projects: Public Housing and Public Neighbors.* (Cambridge, MA: Harvard University, 2000).


What roles do state and local government play in the economy and in the provision of economic infrastructure? What impact does competition among states and cities, as structured by the federalist system, have on economic development? Given the powerful forces of globalization, what prospects do local officials have for promoting development? What development strategies are available for low-income communities?

**Required Readings:**


**Supplemental Readings:**


Wilson, Robert H., Lodis Rhodes and Norman Glickman (project directors), *Community Change in East Austin* PRP report 160 (Austin, TX: LBJ School of Public Affairs, University of Texas, 2007), Chapter 4, pp. 48-63.