

# Vanderbilt University

Economics 279 Urban Economics

Mr. Getz, Spring 2007

Wilson 115, 12:10 – 1:00, MWF

## Audience

Why do cities grow, how do they change, what is the role of government? We will use the tools of welfare economics to explore how cities affect consumer welfare.

Intermediate microeconomics is a prerequisite for this course. We will use equilibrium analysis to describe the location decisions of households and firms, and to understand the fiscal choices facing local governments.

This is a course for upper level students of economics and public policy. Students will be expected to read ahead, speak engagingly in class, write concise essays, assume an active role in shaping their course, and support each other's efforts to understand the issues.

Because most of us live in urban settings, the issues in this course are of considerable current interest. Students will be expected to read a good newspaper (e. g. *Wall Street Journal*, *Christian Science Monitor*) and, in class and in essays, relate the economic theories to the current public discussion of housing, commuter transportation, schools, crime, and property taxes.

## Books

Arthur O'Sullivan, *Urban Economics*, 6th edition, (Irwin, Chicago 2007) provides clear discussion of the concepts in the context of the US scene.

Consider David K. Shipler, *The Working Poor* (Knopf, New York, 2004) in paper as an optional purchase. O'Sullivan does not have a chapter on poverty.

Students will find additional sources helpful in the completion of projects.

Scholar.google.com is a good source for finding academic materials on any subject. The Index produced by the Public Affairs Information Service (*PAIS International*) and *EconLit* may point to useful materials. The *GPO Monthly Catalog* of the Government Printing Office points to Government Documents, the Heard Library provides three versions. *Newspaper Abstracts* is part of *ProQuest Direct* that provides an index to articles in newspapers. *CIS Congressional Information Service* provides information about legislation. These databases are available by network at the Heard Library's website, [www.library.vanderbilt.edu](http://www.library.vanderbilt.edu). Librarians can help you learn to use these tools.

## Projects

There will be three projects, each associated with a particular section of the course. The projects are described below. Members of the class are encouraged to discuss their projects with the instructor and with each other as the projects develop. They may submit draft projects for comment two class meetings before the project is due. Projects submitted late may be downgraded.

## Formal Requirements

Four Projects, 11 points each	44 points
Class Discussion	4 points
Three tests, 12 points each	36 points
Two Problem, sets 6 points each	12 points
Teamwork	4 points

The distribution of grades in the course will reflect the quality of individual work. Numeric grades will be used until the end of the course. Imagination, originality, and knowledge of the current public debate of the issues matter. Students will be assigned to two person teams.

## Honor Code

The honor code applies to this course. Each student is to perform his or her own work and accurately cite all source materials used in class and projects. Members of the class should work together, read drafts of each other's projects, and share ideas.

## About the Instructor

I am Malcolm Getz. I have taught urban economics at Vanderbilt since 1973. I earned a BA in economics at Williams College in 1967 and a Ph.D. at Yale in 1973. My dissertation concerned Atlanta's transit system. I wrote a book about urban fire departments and another about public libraries. *Veterinary Medicine in Economic Transition*, appeared in 1997 (Iowa State University Press.) From 1985 to 1994, I was Associate Provost. I am Director of Undergraduate Studies in Economics. My latest book, *Investing in College: A Guide for the Perplexed* (Harvard University Press, 2007) will be in bookstores in March.

Once or twice during the semester I may miss a class due to participation in a conference or to meet other professional obligations.

My office is Calhoun 406, call 322-3425. I am available in my office from 11:10 to 11:45 AM TR and by appointment. My e-mail address is [Malcolm.Getz@Vanderbilt.edu](mailto:Malcolm.Getz@Vanderbilt.edu). My home telephone is 356-5601, please call before 10 PM or after 6:30 AM. Web to <http://www.vanderbilt.edu/Econ/faculty/Getz/MGetz.html>.

## Sites on the World Wide Web

Here are web sites that may provide information useful in the completion of the projects.

University of Virginia, data on regions, states, and metropolitan areas:

<http://www.lib.virginia.edu/reference/general/stats.html>

Bureau of the Census

<http://www.census.gov>

County Business Patterns (national figures only) <http://fisher.lib.virginia.edu/cbp>

<http://www.census.gov/epcd/cbp/view/cbpview.html>

Bureau of Labor Statistics

<http://www.bls.gov/>

Bureau of Transportation Statistics

www.bts.gov

Bureau of Justice Statistics

<http://www.ojp.usdoj.gov/bjs/>

National Archive of Criminal Justice Data

<http://www.icpsr.umich.edu/NACJD/archive.html>

National Center for Education Statistics

<http://nces.ed.gov/>

Department of Housing and Urban Development

[www.hud.gov](http://www.hud.gov)

American Public Works Association, trade group

<http://www.pubworks.org/>

### **End of Class Questions**

At the end of each class, please take a moment to write a sentence that describes the most important idea of the class and to pose a question about a point of confusion or something deserving clarification or further discussion. Submit the note anonymously as you leave class.

## **Three Projects**

### **Project One, Team Project, Pick one topic.**

- (a) **Urban Growth:** Write an essay as a briefing paper for a mayor. Pick a large city. How did it reach its current size and what are its prospects for the decade ahead? What policies should the mayor advocate with regard to growth?

Teams of two students are to prepare the report. The report should give a brief history of the city, indicating why it came to be located where it is, the era of and an explanation for its most rapid growth, and a characterization of the pace of growth since 1990. It should describe the economic base (the part of the local economy that exports outside the local area). How large are the government, service, and manufacturing sectors? How cyclical is employment? How much unemployment? How much poverty? Explain the growth path for the metropolitan area relative to the national average. Include a diagram or two of your own creation.

- (b) **Industrial Location** Your mayor is interested in the location and growth pattern of an industry important to the city. Write an essay for the mayor analyzing changing location patterns in an industry of your choice. Using County Business Patterns, the Census of Manufacturing, and industry trade groups data from say the 1970s to the most recently available year, compare employment or output by state in the industry. Explain why the industry was located as it was in an earlier period, and explain why the location pattern has changed.

Examples of industries include steel, aluminum, automobiles, electronics, and furniture among durable goods, and beer, meatpacking, and other food, pulp & paper, printing, apparel, and petroleum among non-durables. Essays might also address the location of banks, and other financial industries, and advertising or other business services. Look for stories in major newspapers as well as for books and articles in

periodicals. What is the implication of the changing pattern of industrial location for cities? Teams of two students may complete the Alternate Project.

**Project Two, Individual Project, Pick one topic.**

- (c) **Land Use & Rents**, The Mayor is interested in the location decisions made by firms within the metropolitan area. Choose a retail activity and write an essay describing its location pattern within a metropolitan area. Use the Yellow Pages or other guide to locate the establishments. Why does the industry show the location pattern that it does? How has the location pattern changed over time and why has the change occurred?
- (d) **Development Subsidies:** Many mayors devote tax dollars to subsidizing businesses that locate new plants in their cities, just as Nashville committed \$200M tax dollars to the Titans and \$50M to Dell. Critics refer to these deals as corporate welfare. Write an essay for the mayor to describe the policies cities pursue to attract business. Do the policies work? Who benefits and who loses from such policies? Should the Congress enact a law limiting the ability of state and local government to subsidize businesses?

**Project three, Individual Project, pick one topic.**

- (e) **Traffic** As urban areas grow, the volume of traffic and level of congestion increases. Commuting times of over an hour one-way are now common in many large cities. Write an essay evaluating the costs and benefits of various strategies for addressing congestion. Possible topics include electronic tolls, para-transit, and railroads as well as building more highways.
- (f) **Poverty Among Children** Your governor wants to be briefed on poverty among children in your state. (Pick any state you like.) What does it mean to be poor? What are the causes and consequences of poverty for children? What are the principle public policies that assist poor children? What should be the goal of such policies? What have been the consequences of the changes in national and state policies since 1990? What are the pros and cons of policy changes currently being considered?
- (g) **Housing** Your mayor advocates “decent, safe, affordable housing” for all by the end of the decade. Write an essay evaluating existing housing policies and evaluating alternate policies the mayor might propose to meet the stated goal. Think carefully about the goals, the nature of market failures, and the changing fundamental location patterns in the city.

**Project four, Team Project, pick one topic.**

- (h) **Property Taxes and Revenue** The project may investigate one of the principal sources of revenue of local government, including the property tax, local sales tax, , wheel tax, income tax, and state and federal grants to local governments. Consider the equity and efficiency consequences of the revenue source, its income elasticity and so its cyclical character. If the local government needs more revenue, is the revenue source you are analyzing a good choice? This project could explore Tennessee’s or any other state’s fiscal problems.

**(i) Schools** A leading issue in political campaigns from local school boards to the Presidency has been K12 education. Your goal is to write an insightful essay on education policy for your mayor. Here are three key issues. Your essay might address all three, focus on one, or choose another dimension of the issue.

- i) How do we measure the performance of a school? How might the school board, mayor, and council recognize success?
- ii) How do we finance the schools? Should schools be financed locally with property taxes and local sales taxes or should state government finance them? What role should the Federal government play in education finance? Critics say the “no child left behind” program is an unfunded mandate. Is this a problem?
- iii) What role should the private sector play? What is the evidence on vouchers, charter schools, and contractor-operated schools?

**(i) Crime & Proscribed Drugs** Advise the mayor of a large city about changing patterns of crime and choices the city might make to reduce crime.