

Economics 281A
Urban Economics I

Professor J. Brueckner

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This course will survey basic material in urban economics, covering reasons for the existence of cities, the monocentric model of urban land use, and various topics in housing economics. The course will follow a lecture format, drawing on the articles from the following reading list. Almost all of the articles are available on-line via the hyperlinks below. Because the underlying hyperlinks for the articles are long, simply clicking on the colored text won't work. Instead, highlight the entire article title, then right click and select "open hyperlink." The reading list also includes chapters from my textbook, *Lectures on Urban Economics*. This book is mainly aimed at an undergraduate audience, but the assigned readings provide helpful background.

The only requirements for the course are a take-home final exam, but students are expected to carefully read each item on the reading list.

Course Readings

I. Economic Reasons for the Existence of Cities

- Brueckner, J., *Lectures on Urban Economics*, Ch. 1.
Glaeser, E., "[Are Cities Dying?](#)" *Journal of Economic Perspectives*, Spring 1998.
Henderson, J.V., "[Marshall's Scale Economies](#)," *Journal of Urban Economics*, January 2003.
Jaffee, A., et al., "[Geographic Localization of Knowledge Spillovers as Evidenced by Patent Citations](#)," *Quarterly Journal of Economics*, August 1993.
Bosker, M. and E. Buringh, "[City Seeds: Geography and the Origins of the European City System](#)," *Journal of Urban Economics*, March 2017.
Krugman, P., *Geography and Trade*, Chs. 1-2.
Bleakley, H. and J. Lin, "[Portage and Path Dependence](#)," *Quarterly Journal of Economics*, May 2012.

II. The Monocentric-City Model

a. The basic model

- Brueckner, J., *Lectures on Urban Economics*, Ch. 2.
Brueckner, J., "[The Structure of Urban Equilibria: A Unified Treatment of the Muth-Mills Model](#)," in E. S. Mills, ed., *Handbook of Regional and Urban Economics*, Volume 2, 1987.
Albouy, D., G. Ehrlich and M. Shin, "[Metropolitan Land Values](#)," *Review of Economics and Statistics*, July 2018.

Ahlfeldt, G., and J. Barr, "The Economics of Skyscrapers: A Synthesis," *Journal of Urban Economics*, May 2022.

b. Patterns of location by income

Brueckner, J., *Lectures on Urban Economics*, Ch. 3, Sections 3.2-3.4.

Wheaton, W., "Income and Urban Residence: An Analysis of Consumer Demand for Location," *American Economic Review*, September 1977.

Glaeser, E., M. Kahn and J. Rappaport, "Why Do the Poor Live in Cities? The Role of Public Transportation," *Journal of Urban Economics*, January 2008.

LeRoy, S., and J. Sonstelie, "Paradise Lost and Regained: Transportation Innovation, Income, and Residential Location," *Journal of Urban Economics*, January 1983.

Gin, A., and J. Sonstelie, "The Streetcar and Residential Location in Nineteenth Century Philadelphia," *Journal of Urban Economics*, July 1992.

Brueckner, J., J.-F. Thisse and Y. Zenou, "Why is Central Paris Rich and Downtown Detroit Poor: An Amenity-Based Theory," *European Economic Review*, January 1999.

Brueckner, J. and S. Rosenthal, "Gentrification and Neighborhood Redevelopment Cycles: Will America's Future Downtowns Be Rich?" *Review of Economics and Statistics*, November 2009.

c. Models with durable housing

Brueckner, J., *Lectures on Urban Economics*, Ch. 3, Section 3.5.

Siodla, J., "Razing San Francisco: The 1906 Disaster as a Natural Experiment in Urban Redevelopment," *Journal of Urban Economics*, September 2015.

Brueckner, J., "Urban Growth Models with Durable Housing: An Overview," in J.-M. Huriot and J.-F. Thisse, eds., *Economics of Cities*, 2000.

Rosenthal, S. and R. Helsley, "Redevelopment and the Urban Land Price Gradient," *Journal of Urban Economics*, March 1994.

d. Urban sprawl

Brueckner, J., *Lectures on Urban Economics*, Ch. 4, Sections 4.1-4.5.

McGrath, D. "More Evidence on the Spatial Scale of Cities," *Journal of Urban Economics*, July 2005.

Glaeser, E. and M. Kahn, "Sprawl and Urban Growth," in J.V. Henderson and J.-F. Thisse, eds., *Handbook of Regional and Urban Economics*, Vol. 4, 2006.

Baum-Snow, N., "Did Highways Cause Suburbanization?" *Quarterly Journal of Economics*, May 2007.

Garcia-Lopez, M.-A., Pasidis, I. and Vildecans-Marsal, E., "Amphitheaters, Cathedrals and Operas: The Role of Historic Amenities on Suburbanization," working paper.

Burchfield, M., H.G. Overman, D. Puga, and M.A. Turner, "Causes of Sprawl: A Portrait from Space," *Quarterly Journal of Economics*, May 2006.

- Brueckner, J., "Urban Sprawl: Lessons from Urban Economics," in W. Gale and J. Pack, eds. *Brookings-Wharton Papers on Urban Affairs*, 2001.
- Vermuelen, W. and Rouwendal, J., "On the Value of Forgone Open Space in Sprawling Cities," *Journal of Regional Science*, January 2014.
- Brueckner, J. and R. Helsley, "Sprawl and Blight," *Journal of Urban Economics*, March 2014.
- Brueckner, J., "Urban Growth Boundaries: An Effective Second-Best Remedy for Unpriced Traffic Congestion?" *Journal of Housing Economics*, November 2007.

III. Issues in Third World Urbanization

- Brueckner, J., *Lectures on Urban Economics*, Ch. 3, Section 3.6.
- Brueckner, J., "Analyzing Third World Urbanization: A Model with Empirical Evidence," *Economic Development and Cultural Change*, April 1990.
- Jimenez, E., "Tenure Security and Urban Squatting," *Review of Economics and Statistics*, November 1984.
- Brueckner, J. and H. Selod, "A Theory of Urban Squatting and Land-Tenure Formalization in Developing Countries," *American Economic Journal: Economic Policy*, February 2009.
- Cavalcanti, T., Da Mata, D., and M. Santos, "The Determinants of Slum Formation," *Economic Journal*, July 2018.

IV. Working from Home

- Brueckner, J., Kahn, M., and G. Lin, "A New Hedonic Spatial Equilibrium in the Emerging Work-from-Home Economy," *American Economic Journal: Applied Economics*, forthcoming.
- Gupta, A., Mittal, V., and S. Van Nieuwerburgh, "Work from Home and the Office Real Estate Apocalypse," NBER working paper 30526, 2022.

IV. The Demand for Housing and Hedonic Price Analysis

- Brueckner, J., *Lectures on Urban Economics*, Ch. 6, Sections 6.1-6.2.
- Mayo, S. "Theory and Estimation in the Economics of Housing Demand," *Journal of Urban Economics*, July 1981.
- Grether, D. and P. Mieszkowski, "The Determinants of Real Estate Values," *Journal of Urban Economics*, July 1974.
- Rosen, S., "Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition," *Journal of Political Economy*, January 1974.
- Brown, J. and H. Rosen, "On the Estimation of Structural Hedonic Price Models," *Econometrica*, May 1982.
- Bartik, T., "The Estimation of Demand Parameters in Hedonic Price Models," *Journal of Political Economy*, February 1987.

- Ekeland, I., J. Heckman and L. Nesheim, "Identifying Hedonic Models," *American Economic Review*, May 2002.
- Quigley, J., "Nonlinear Budget Constraints and Consumer Demand: An Application to Public Programs for Residential Housing," *Journal of Urban Economics*, September 1982.

V. Tax Treatment of Housing and Tenure Choice

- Brueckner, J., *Lectures on Urban Economics*, Ch. 6, Sections 6.3-6.7.
- Sonstelie, J. and Narwold, A., "State Income Taxes and Homeownership: A Test of the Tax Arbitrage Theory," *Journal of Urban Economics*, November 1994.
- Brueckner, J., "The Downpayment Constraint and Housing Tenure Choice: A Simplified Exposition," *Regional Science and Urban Economics*, November 1986.
- Haurin, D., P. Hendershott, and S. Wachter, "Borrowing Constraints and the Tenure Choice of American Youth," *Journal of Housing Research*, 1997.
- Williams, J., "Agency and Ownership of Housing," *Journal of Real Estate Finance and Economics*, September 1993.
- Sommer, K. and P. Sullivan, "Implications of US Tax Policy for House Prices, Rents, and Homeownership," *American Economic Review*, February 2018.
- Bailey, M. et al., "The Economic Effects of Social Networks: Evidence from the Housing Market," *Journal of Political Economy*, October 2018.