

Urban Economics

[31C02100, REC-E3500]

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Overview:

This is a course in urban economics. We will study the economic forces that lead to the existence of cities and regional agglomeration of jobs and people as well as the inner structure of cities. The fundamental tool in the analysis is the notion of spatial equilibrium, which arises when people and firms can move freely and choose their optimal location as prices adjust. In order to understand urbanization, we need to consider the benefits from eliminating distance between people. This facilitates the transportation of goods, matching of workers and firms and the circulation of ideas. We also need to understand the problems related to cities, such as congestion, urban poverty and segregation. These are just a few reasons why we may want to regulate the growth of cities and the inner structure of cities. We will also cover questions in housing economics, and in housing and urban policy. In this part, we study questions such as: Should we subsidize housing consumption? What are the relative benefits of place- and tenant-based housing subsidies? What are the effects of rent control? Does it matter in what type of neighborhood you grow up?

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Course material: The main material will be the lecture slides available from MyCourses.

The textbook for the course is:

Brueckner, J. K. 2011. *Lectures on Urban Economics*. Cambridge, MA: MIT Press.

We will cover only certain chapters of the book, not the entire book. The e-book is available from the Aalto library. In addition, we will discuss some academic papers, which are listed and linked to in the lecture slides.

Grading: Grading consists of three parts: final exam (60%), problem sets (30%) and a reading assignment (10%).

Course outline (tentative):

Lecture 1:	Introduction: (i) What is urban economics? (ii) Why cities exist?
Lecture 2:	Spatial Equilibrium within Cities – The Monocentric City Model
Lecture 3:	Monocentric City Model – Extensions
Lecture 4:	Urban Sprawl and Land-Use Controls
Lecture 5:	Congestion Externality
Lecture 6:	Hedonic Model
Lecture 7:	Low-Income Housing Policy
Lecture 8:	Segregation and Neighborhood Effects
Lecture 9:	Housing supply and Urban Planning
Lecture 10:	Spatial Equilibrium Across Cities
Lecture 11:	Spatial Equilibrium Across Cities - Extensions
Lecture 12:	Recap