

Urban Economics [31C02100, REC-E3500, USP-342]

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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 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? Why do people buy or rent? How should we tax housing?

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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 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: Exam (100% of the final grade). In addition to the exam, there will be problem sets. These are graded only as pass/fail and you need to pass all the problem sets in order to be eligible to take the exam and pass the course. Passing means that you have shown real effort in solving the problems, so show your work and explain your thinking. The problem sets are an important part of the course and they prepare you for the exam.

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:	Spatial Equilibrium Across Cities
Lecture 7:	Hedonic Model
Lecture 8:	Economics and Urban Planning
Lecture 9:	Low-Income Housing Policy
Lecture 10:	Segregation and Neighborhood Effects
Lecture 11:	Tenure Choice and Taxation of Housing
Lecture 12:	Recap