

Urban Economics

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

Tuukka Saarimaa
Spring 2019

Last updated:
January 8, 2019

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. 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 question such as: Why do people buy or rent? How much housing do people want to consume and how should we think about housing consumption in the first place? How should we tax housing? Should we subsidize housing consumption? What are the relative benefits of place- and tenant-based housing subsidies?

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Office Hours: On appointment

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. Electronic version of the 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, there will be four exercises/problem sets. These are graded only as pass/fail and you need to pass 50% 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.

Course outline (tentative)*:

Tue Jan 8; 14:15–16:00	Introduction: (i) What is urban economics? (ii) Why cities exist?
Wed Jan 9; 14:15–16:00	Spatial equilibrium within cities – The monocentric city model
Tue Jan 15; 14:15–16:00	Monocentric city model – Extensions
Wed Jan 16; 14:15–16:00	Spatial equilibrium across cities – Agglomeration and local labor markets
Tue Jan 22; 14:15–16:00	Spatial equilibrium across cities – Quality of life in cities
Wed Jan 23; 14:15–16:00	Hedonic model – Introduction
Tue Jan 29; 14:15–16:00	Hedonic model – Valuing local public goods
Wed Jan 30; 14:15–16:00	Urban planning and regulation of city growth
Tue Feb 5; 14:15–16:00	Economics of housing and tenure choice
Wed Feb 6; 14:15–16:00	Taxation of housing
Tue Feb 12; 14:15–16:00	Low-income housing policy
Wed Feb 13; 14:15–16:00	Segregation and neighborhood effects

* We will have two hours of lectures each day. For the last four Wednesdays, we will have one extra session/lecture to go through the problem sets. **Note that the first Tuesday lectures start at 14:15.**