

Urban Economics (03.184.4185/86)
TUE 10:15 - 11:45 (LE) in -1 421 N 25 and MS Teams
THU 12:15 - 13:45 (TU) in 00 421 N 6

Instructors:

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Office Hours: Monday 14.45 – 15.45 via MS Teams (team *Office Hours*). The password will be announced on LMS. You can join without prior registration.

Prerequisites: An interest in microeconomics and a good command of English. This course is best suited for third-year students onwards. Class size is ~ 30 students.

Objectives: “Nobody can afford to live in New York. Yet, 8 million people do.”* Have you also wondered why people crowd in great but expensive places? This course uses economic theory and empirical evidence to understand why and how cities form, and to shed light on the benefits and costs of cities. We focus on the following questions. Why do cities and agglomerations emerge? What causes urban growth and decline? Can cities be too big? Why does the price of land vary within cities? Why is economic activity unequally distributed within cities and agglomerations?

In the *lecture*, we go through simple economic theory in graphical form. We offer videos, which allow you to refresh some basic microeconomic topics. You will need these basics to understand urban economic theory that we discuss in the lecture. These theories explain urban patterns, and the effect of urban and regional policies for urban and regional outcomes. Quizzes allow you to evaluate your progress. We will also examine first empirical evidence of the effects of the Covid-19 pandemic on cities and apply urban economic theory to discuss its potential consequences. See below for a detailed outline.

The *tutorial* serves to apply our skills. You will use basic maths and graphical analysis to solve problem sets based on the theories discussed in the lecture. We offer detailed explanations of the solutions in the tutorial, but encourage you to have a look at the problem sets before each tutorial. We also upload short solutions on LMS (Moodle).

Grading: E-exam (60 minutes) covering the lecture content and similar to the problem sets covered in the tutorials. Successful students will receive 6 ECTS. Active participation in the class is highly acknowledged and a mock e-exam will be provided via ILIAS.

Data protection and academic Honesty: As a JGU student, I expect you to abide by the University’s Examination Code and a culture of honesty. Lack of knowledge thereof is not a reasonable explanation for violation. *The reproduction and distribution of my video contents*

*This is a quote from Fran Leibowitz in *Pretend its a City*, Netflix.

and online lectures violate copyright and privacy and can have legal consequences. Questions related to course exams and the Disciplinary Code should be directed to the *Studienbüro*.

Extra Help: We will make the materials available to all enrolled students via LMS Moodle and Panopto. Please get in touch (by appointment) to discuss your questions concerning the course.

General Support: Students with disabilities - <https://www.barrierefrei.uni-mainz.de/>; Students in need of psychological support - <https://www.pbs.uni-mainz.de/beratung/>; general health - <https://www.studium.uni-mainz.de/gesund-studieren-in-mainz/>.

Books used in this course (optional):

Urban Economics, by Arthur O’Sullivan, 9th Edition

Course Outline (subject to changes):

25.10.2022	.....	Introductory lecture (LE I)
08.11.2022	.....	Trading and factory towns (LE II)
10.11.2022	.....	Tutorial
15.11.2022	.....	Video: Basics in Microeconomics (VD I)
22.11.2022	.....	Agglomeration economies (LE III)
24.11.2022	.....	Tutorial
29.11.2022	.....	Where do cities develop? (LE IV)
06.12.2022	.....	Video: monopolistic competition and consumer cities (VD II)
13.12.2022	.....	Cities in a regional economy (LE V)
15.12.2022	.....	Tutorial
20.12.2022	.....	The urban labor market (LE VI)
22.12.2022	.....	Tutorial
10.01.2023	.....	Video: Land rent and manufacturing use (VD III)
12.01.2023	.....	Tutorial
17.01.2023	.....	Housing prices and residential land use (LE VII)
19.01.2023	.....	Tutorial
24.01.2023	.....	Neighborhoods and urban housing (LE VIII)
31.01.2023	.....	Group work: Cities and Covid-19 (LE IX)
02.02.2023	.....	Tutorial
07.02.2023	.....	Q&A (LE X)
27.02.2023	.....	Exam
30.03.2023	.....	Exam (Rep.)

Organization and content of the course (subject to changes):

This lecture takes place in hybrid format. What should you expect?

- You can attend the lectures and tutorials in class OR via MS Teams. We are not fully equipped to provide high-quality hybrid lectures, so please do understand that there is a loss in quality for those who attend online. This challenge is more pronounced for tutorials because we use the blackboard.

- As suggested by the course outline, three lecture units are replaced by videos (VD I-III) available for streaming in Panopto. The course contains online parts for one broad reason. The videos cover economic basics and fundamental theories. Some students may be bored with basics because they already master those contents, while others have never heard of them. Fundamental economic theories and their applications in urban economics are useful beyond this lecture. The advantage of these videos (instead of a classroom session) is that you study at your own pace and are able to re-stream if needed. You will also be able to test your knowledge with quizzes available on LMS.
 1. The first set of videos (VD I) covers basics in microeconomics, which are essential to follow the course and apply to many subsequent lectures. Please watch these videos before LE III. If you already master the *marginal principle*, *Nash equilibrium* and *Pareto efficiency*, you may be able to skip this part entirely.
 2. The second set of videos (VD II) covers a basic overview of *monopolistic competition*. You may not be familiar with the type of market structure in the first video, yet it is widely used in economics (e.g., in international trade). A second video in this set will examine why larger and/or wealthier cities offer a wider variety of goods and services. The third video will cover the basics of central place theory. Please watch these videos before LE V.
 3. The third set of videos (VD III) studies the determination of land price and the distribution of land rent within cities. The first video covers basic principles, which allow us to determine the value of land: the *leftover principle*, *market value* and *willingness to pay*. The remaining three videos cover land bids for different types of cities: *horsecart*, *truck* and *beltway* cities. Please watch these videos before LE VII.
- The on-site (hybrid) lectures cover the following topics:
 1. Trading and factory towns (LE II): The theory of comparative advantage and the discussion of economies of scale allow us to understand how specialization and exchange led to the development of single cities.
 2. Agglomeration economies (LE III): We use the basics from the first set of videos to explore why external benefits in production induce firms to cluster in cities. We also discuss external costs of clusters, and examine cluster size.
 3. Where do cities develop (LE IV): In this lecture, we study why and where larger urban areas develop. In particular, we examine how wages, city amenities and innovations have changed location patterns.
 4. Cities in a regional economy (LE V): Having moved to regional areas involving smaller and larger cities, we look at urban utility and regional equilibria, and we discuss the size distribution of cities.
 5. The urban labor market (LE VI): This lecture helps us to understand urban economic policy. We examine the employment multiplier and explore how different public policies and mega-events affect employment.
 6. Housing prices and residential land use (LE VII): We analyze the spatial variation in the prices of housing and residential land. We also study the determinants of house prices, and housing production.

7. Neighborhoods and urban housing (LE VIII): This lecture is interested in the choice and composition of neighborhoods. We also look at the forces leading to segregation and the consequences thereof.
8. In LE IX, we explore how cities may change due to the Covid-19 pandemic. You will split in groups. You will then discuss in group, whether previous lecture content applies to the trends you have seen. Your group task will be to discuss and briefly present how city patterns may change due to the pandemic, and if they could do so, at which horizon (medium- or long-term).

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