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## **Urban Fiscal Policy: Economics 237**

### **Fall 2014**

#### COURSE DESCRIPTION:

This course will analyze the problems of, and prospects for, financing the provision of local public goods and services through cities and municipalities. The course is an elective in economics that is designed for juniors and seniors. To take this class and get the most out of it, you need a solid understanding of micro-economics and basic statistics. Finally, you should be interested in economic and urban policy.

We will view cities as economic organizations not unlike a publicly held corporation. There are shareholders called "owners" and "renters" of residential land. Voting rights are in terms of one person-one vote. The city is run by a city council which serves like a "board of directors." The Chairman of the Board – appointed by the council or elected directly – is the Mayor of the city.

The city provides services to its shareholders as well as non-shareholders, the most important of which are businesses that are located within the city. The primary purpose of a city-corporation is to protect and enhance a region's competitive advantage through the provision of important services for residents and businesses. These services include the provision of infrastructure and services with significant interdependencies such as safety, education and environmental protection. As such cities perform a vital economic role in the economy. We will analyze some of the main economic challenges faced by urban metropolitan areas in an increasingly globalized economy.

#### READINGS:

All lecture notes will be made available on my web page. They are the only required material.

#### WEBSITE:

Homework sets, solution sets, and lecture notes are posted on the following website:

<http://www.sas.upenn.edu/~holgers/teaching.html>.

#### GRADING:

Your grade for the course is based on four problem sets (20 percent), two in-class exams (40 percent each). There is no final exam. In-class exams will be October 8th and December 3rd (unless announced differently in class.)

#### OFFICE HOURS:

Office hours will be held on Tuesdays from 3:30 to 5:00 pm. If you need to contact me and cannot come to my scheduled office hours, you send me an email to set-up an appointment ([holgers@econ.upenn.edu](mailto:holgers@econ.upenn.edu)). The TA is Yumi Koh ([kohym@sas.upenn.edu](mailto:kohym@sas.upenn.edu)). Her office hours will be announced in class.

#### COURSE OUTLINE:

I have organized the material into the following topics:

1. Foundations:
  - (a) The Principle of Fiscal Federalism
  - (b) The Economic Role of Cities
2. The Provision of Local Public Goods and Services in Cities:
  - (a) The Efficient Provision of Local Public Goods and Services
  - (b) Voluntary Provision of Local Public Goods and Services
  - (c) The Political Economy of Local Public Good Provision
  - (d) Congestion and Optimal City Size

3. Competition among Cities and Suburban Municipalities:

- (a) Mobility, Residential Choice, and Public Goods
- (b) Fiscal Competition Among Local Governments

4. Urban Management Problems:

- (a) Corruption and Rent Seeking
- (b) Collective Bargaining and Public Employee Unions
- (c) Underfunding of Pensions and Urban Fiscal Crises

5. Meeting Urban Challenges::

- (a) Urban Crime
- (b) Urban Poverty
- (c) Reforming Urban Schools

6. Transportation and the Environment:

- (a) Transportation and Spatial Equilibrium
- (b) Environmental Challenges and Green Cities

7. Urban Housing Markets:

- (a) Housing and Real Estate Finance
- (b) Bubbles, Busts, and Foreclosures

## VARIOUS CLASS POLICIES:

### 1. Attendance:

Attendance of lectures is required. If a student repeatedly fails to attend classes without proper excuse, the student will receive a lower grade.

### 2. Cooperation:

You may discuss homework assignments; however, each individual must submit a separate homework assignment, and each individual will be separately graded on that assignment. You may not cooperate while taking exams.

### 3. Aids During Exams:

All exams are closed book. No aids are allowed.

### 4. Format of Assigned Work:

All homework assignments must be typed with the exception of mathematical derivation which can be hand-written.

### 5. Lateness:

Due dates for assignments will be announced in class. These dates are binding.

### 6. Return of Homeworks and Exams:

You are responsible for picking up graded homeworks and exams.

### 7. Re-grade Requests:

A request for a re-grade of a problem set or an exam must be submitted to me in writing. In each case, I will reevaluate your *complete* homework set or exam.

### 8. Missing an Exam:

If you miss an exam, you need to obtain a letter signed by the coordinator of undergraduate studies, Lynn Costello, that excuses your absence. If you do not obtain such a letter, you will fail the exam. If you do, a make-up exam will be given.