

Professor Holger Sieg
McNeil Building 459
holgers@econ.upenn.edu

Urban Fiscal Policy: Economics 237

Fall 2017

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 statistics. Most importantly, you need to 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 also analyze challenges faced by urban metropolitan areas in an increasingly globalized economy.

PREREQUISITES

Economics 101, 102, 103, and 104.

REQUIRED READINGS:

1. All lecture notes and required newspaper articles will be made available on my web page at <http://www.sas.upenn.edu/~holgers/teaching.html>.
2. Sana, A. and T. Weston and N. Cepeda (2013), "Laptop multitasking hinders classroom learning for both users and nearby peers," *Computers & Education*, 62, 24-31.

OPTIONAL READINGS:

The following books will give you different perspectives on the some of the topics discussed in class:

1. Jacobs, J. (1968), *The Economy of Cities*, Vintage Books.
2. Caro, R. (1975), *The Power Broker: Robert Moses and the Fall of New York*, Vintage Books.
3. Kahn, M. (2010), *Climatopolis: How our Cities will Thrive in the Hotter Future*, Basic Books.
4. Glaeser, E. (2011), *Triumph of the City*, Penguin Press.

GRADING and IMPORTANT DATES:

Your grade for the course is based on four problem sets (10 percent), performance in a debate (10 percent), and two in-class exams (40 percent each). In-class exams will be October 4th and November 29th. The debates will be on December 4, 6, and 11.

Homeworks will be graded pass/fail. Changes to important dates may be announced in class, if necessary.

DEBATES:

We will have 6 debates on six different topics. Each student will be randomly assigned to one group that consists of 4-5 students. For each topic there will be one group that will be assigned the role of the "pro" and one group that will be assigned the "con" in the debate. The format of the debate is as follows. Each group has 4 minutes for a prepared opening statement. This will be followed by three rounds of short replies (1 min), that gives each group the opportunity to refute the arguments made by the other group. The debate ends with final statements of each group (2 min). Each member of the group is required to talk during the debate. Each group member will receive the same grade unless there is clear evidence suggesting a deviation. The debates will be held on Dec 4, 6, and 11. The debates will likely cover the following six topics:

1. Housing: Zoning Restrictions and Affordable Housing
2. Schools: Expanding Charter Schools
3. Taxation: The Philadelphia Soda Tax
4. Place-based Policies: The Philadelphia Naval Yard
5. Public Infrastructure Investments: The Case of the NYC Subway System
6. Green Cities: Promoting the Use of Electric Cars

OFFICE HOURS:

Office hours will be held on Mondays after class in McNeil 459. If you need to contact me, you should send me an email. (holgers@econ.upenn.edu). The TA for this class

is Paulo Martellini (paoloma@sas.upenn.edu). His office hours will be announced in class.

COURSE OUTLINE:

1. Foundations of Urban Economics and Fiscal Policies
 - (a) The Economic Rationale of Cities
 - (b) The Principle of Fiscal Federalism
2. The Provision of Local Public Goods and Services in Cities
 - (a) The Efficient Provision of Local Public Goods and Services
 - (b) Mechanism Design and Public Good Provision
 - (c) Voluntary Provision of Local Public Goods and Services
 - (d) The Political Economy of Local Public Good Provision
3. Inefficiencies in City Government
 - (a) Mobility, Segregation, and Fiscal Competition
 - (b) Corruption, Lobbying, and Rent Seeking
 - (c) Collective Bargaining and Public Employee Unions
 - (d) Fiscal Crisis
4. Meeting Urban Challenges
 - (a) Improving Government Performance: Program Evaluation
 - (b) Schools
 - (c) Poverty and Welfare

- (d) Crime and Policing
 - (e) Green Cities
5. Urban Land and Housing Markets
- (a) Transportation and Spatial Equilibrium
 - (b) Hedonic Models of Local Land Markets
 - (c) Housing and Real Estate Finance
 - (d) Bubbles, Busts, and Foreclosures

Deviations are possible and will be posted on the course web page.

VARIOUS CLASS POLICIES:

1. No Computer and Smart Phone Use during Class Time:
Computers and smart phones have to be turned off during class time. Please read the article listed above that is part of the required reading. Repeat offenders will receive a failing grade.
2. Disturbing Class:
Other types of class disturbances such as showing up late or leaving early are also strongly discouraged. If you show up late for class or plan to leave early, you should sit near the door.
3. Cheating:
Obviously, you are not allowed to cheat during exams. Violations of this policy will result in a failing grade.
4. Aids During Exams:
All exams are closed book. No aids are allowed.

5. Cooperation on Homeworks:

You may discuss homework assignments; however, each individual must submit a separate homework assignment, and each individual will be separately graded on that assignment.

6. Format of Assigned Work:

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

7. Re-grade Requests:

Re-grade requests need to argue that the answer to the question is correct and deserves full credit. There is no review of partial credit. Any request for a re-grade must be submitted to me in writing including a detailed justification of the request.

8. Make-up Exam:

There will a make-up exam that will be given in January before the beginning of the spring semester. The make-up exam will cover the material of entire course. The make-up exam is two and half hours. If you miss the first exam, the second exam will account for 80 percent of your class. If you miss the second exam, the make-up exam will account for 40 percent of your grade. If you miss both exams, the make-up exam will account for 80 percent of your grade.

9. Return of Homeworks and Exams:

You are responsible for picking up graded home works and exams.