

Professor Holger Sieg
holgers@econ.upenn.edu

Urban Economics and Fiscal Policy: Econ 4470 Fall 2023

COURSE DESCRIPTION:

This course focuses on the role that cities and municipalities play in the modern economy. It is an elective in economics designed for juniors and seniors with strong interests in urban issues and economic policy. You are expected to read the assigned material from the required textbook prior to each lecture, attend all lectures, and contribute in a meaningful way to our discussions inside the classroom. Economic policy and business decisions are made through discussion and debate. Effectively communicating the rationale for economic and business decisions is an essential component of the decision making process. In class, you are expected to be an active participant. Hence, you should expect to spend approximately 10 hours per week on this course. Even if you do not become an economic policy maker, you will be better equipped to evaluate the decisions made by local governments and help business executives understand and address economic challenges that arise in urban environments.

PREREQUISITES:

Economics 2100 (micro), 2200 (macro), 2300 (statistics) and 2310 (econometrics). You should be familiar with multivariate calculus, constrained optimization, intermediate microeconomic theory, basic game theory, basic concepts in probability theory, and regression analysis.

OFFICE HOURS:

Classes are Mon & Wed from 12:00 to 1:29 in PCPSE 200. Office hours will be on

Mondays from 3:00 to 5:00 pm in PCPSE 616.

CANVAS:

Please consult the CANVAS course page once a week for problem sets, course material, announcements, etc.

TA:

The TA is Sherri Cheng. Her email is scheng1@sas.upenn.edu. Her office hours will be Tuesdays from 5 to 7 pm in PCPSE 600.

REQUIRED TEXTBOOK:

Sieg, H. (2020), *Urban Economics and Fiscal Policy*, Princeton University Press.

The electronic version is very affordable. It is available on Amazon or directly from PUP. Hardcover can also be purchased in the Penn book store. If you cannot afford to purchase the textbook, please contact the Penn First Plus office. I donate all royalties generated from your purchases to *Youth for Understanding*, which is an intercultural exchange program.

We will cover approximately one chapter of the textbook per lecture. I will highlight some of the key concepts of the chapters during the lectures and provide additional explanations of the main results. To have meaningful discussions in class and to keep up with the pace of the course, you need to read the assigned chapter before each lecture.

COURSE OUTLINE:

1. An Introduction to Urban Economics, Chapter 1.
2. Foundations of Urban Economics and Fiscal Policy:
 - (a) The Economic Rationale of Cities, Chapter 2.
 - (b) The Principle of Fiscal Federalism, Chapter 3.

3. The Provision of Local Public Goods and Services in Cities:
 - (a) The Efficient Provision of Local Public Goods and Services, Chapter 4.
 - (b) Voluntary Provision of Local Public Goods and Services, Chapter 5.
4. The Political Economy of State and Local Governments:
 - (a) Voting over the Provision of Local Public Goods: Chapters 6 and 7.
 - (b) Mobility and Fiscal Competition: Chapter 8.
 - (c) Inequality and Intergovernmental Transfers: Chapter 9.
 - (d) Rent Seeking, Corruption, and Weak Political Institutions: Chapter 10.
 - (e) Bargaining and Labor Relations: Chapter 11.
5. Taxation and the Practice of Urban Fiscal Policies:
 - (a) Property Taxation: Chapter 12
 - (b) Business Taxation: Chapter 13
 - (c) The Practice of Urban Fiscal Policies: Chapters 14 - 16 (if time permits).
6. Managing Urban Challenges:
 - (a) Urban Poverty and Welfare, Chapter 17.
 - (b) Reforming Urban Schools, Chapter 18.
 - (c) Crime and Public Safety, Chapter 19.
 - (d) Urban Environmental Challenges, Chapter 20.
 - (e) Cities in Developing Countries: Chapter 21 (if time permits)
7. Urban Labor, Land, and Housing Markets:

- (a) Transportation and the Internal Structure of Cities, Chapter 22.
- (b) Local Land and Housing Markets, Chapters 23.
- (c) Local Labor Markets: Chapters 24
- (d) Real Estate Finance: Chapter 25.

8. Empirical Methods:

- (a) Correlation, Causality, and Regression Analysis, A1-A4.
- (b) Social Experiments A5-A7.
- (c) Discrete Choice Models, A8-A9.

COURSE REQUIREMENTS AND GRADING POLICIES:

Your grade will be based on four problem sets and two in-class exams.

1. Problem Sets: (20 percent of the grade):

There will be four problem sets. You are permitted to cooperate with other students on problem sets, but you must submit your own, original solution sets. Each problem set is worth 5 percent of your grade. The due dates are September 20, October 4, November 8, and November 22, respectively.

2. Exams: (80 percent of the grade):

There will be two in-class, written exams. Each exam accounts for 40 percent of your grade. The first exam will be on Wednesday, Oct 11. The second exam will be on Wednesday, December 6.

3. Missing Exams: You can only miss an exam for health reasons. You need to send me an email before the exam and explain why you cannot take the exam. If you miss the first exam, the second exam will account for 80 percent of your

grade. If you miss the second exam, you will have to take the written make-up exam in January 2024 that covers the full material of the course.

4. Regrade Requests: All requests must be submitted within three days of the date the exam was handed back to the students. All requests must be in writing. There is no regrading of partial credit. Please talk to the TA who is the grader of the exams before you submit the request.