Urban Fiscal Policy: Economics 237
Fall 2020

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 a solid understanding of microeconomic theory, statistics, and data analytics. You are required to

- read assigned material from the required textbook (2 hours per week);
- attend and participate in all lectures (3 hours per week);
- complete weekly problem sets (2 hours per week); and
- finish a rigorous course project (3 hours per week).

Hence, you should expect to spend approximately 10 hours of your time per week on this course. That does not account for the necessary work to review material from intermediate courses that are prerequisites. While this course is demanding, you will become uniquely equipped to make better decisions for yourself and help government officials, policymakers, and managers understand and address key urban challenges.

PREREQUISITES:
Economics 101, 102, 103, and 104. 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:
Office hours are after class on Tuesdays from 3:00 to 5:00 pm and by appointment.

REQUIRED TEXTBOOK:
Sieg, H. (2020), Urban Economics and Fiscal Policy, Princeton University Press. The electronic version is fairly affordable. It is available on Amazon or directly from PUP. Hardcovers 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 will donate all royalties that will be 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. The assigned chapters from the textbook are relevant for the problem sets and the final exam.

COURSE OUTLINE:

1. An Introduction to Urban Economics, Chapter 1.

2. Foundations of Urban Economics and Fiscal Policy:
   
   
   (b) The Economic Rationale of Cities, Chapter 2.
   
   (c) 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.
(c) Voting over the Provision of Local Public Goods: Chapters 6 and 7.

4. Urban Fiscal Policies:

(b) Property Taxation: Chapter 12
(c) Business Taxation: Chapter 13
(d) The Practice of Urban Fiscal Policies: Chapters 14 and 15.

5. 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.

6. Urban Labor and Housing Markets:

(a) Transportation and the Internal Structure of Cities, Chapter 22.
(b) Local Land and Housing Markets, Chapters 23.
(d) Local Labor Markets: Chapters 24
(e) Real Estate Finance: Chapter 25.
NOTE: I will not cover Chapters 8-11 and Chapter 21 since that material is covered in “Econ 232: Political Economy,” which I typically teach in the spring semester. If you do not plan to take Econ 232, you may want to read these chapters on your own since they deal with important issues in city politics. I also do not cover Chapter 16. If you are interested in finance, you should read that chapter. All the other materials including all technical appendices are relevant for the course, except for the appendix on Mechanism Design at the end of Chapter 4. You may want to read that appendix if you are interested in economic theory.

COURSE REQUIREMENTS AND GRADING POLICIES:

Your grade is based on class attendance, weekly problem sets, and a course project. Some eligible students can also take an optional final oral exam which will then determine the final grade.

1. Problem Sets:

   You are permitted to cooperate with other students on problem sets, but you must submit your own, original solution sets and possibly present the answers in class. To answer each question you need to create a pdf file with up to three slides for each question.

   To get credit for the homework set you must upload your slides in pdf format by Monday morning 1 am. I will then announce the four of five students that have been randomly chosen for in-class presentations on Monday. Those who have been selected need to present the answer either on Tuesday or Thursday at the end of the Zoom lectures. You have 5 minutes to present your answer to the assigned problem set in class. The weekly problem sets will be graded pass/fail. If you fail the oral presentation you will obtain one more chance to make up. Otherwise, you will fail that portion of the course, which that you can obtain at best a B- for the course.
2. The Course Project:

The course project will be on a topic similar to those listed in the Debate Sections of the textbook. I will provide a list of topics and randomly assign students to topics in the middle of September. Depending on the size of the class, I will assign six or eight students to the same topic. The page limit for the final project is 10 pages (1.5 spaced with regular margins), including all references, tables, figures, and appendices. More details will be provided later in class. There is no cooperation allowed on the course project. Each student needs to submit his or her project report. The course project is due before you leave for the Thanksgiving break.

All projects will be checked for plagiarism with suitable software. I will rank all projects that cover the same topic, i.e. your project will only be compared to students that work on the same topic.

3. Grades Before the Final Exam:

Grades leading up to the final exam are determined as described in Table 1.

<table>
<thead>
<tr>
<th>grade</th>
<th>problem sets</th>
<th>course project</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td></td>
<td>cheating or plagiarism</td>
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<tr>
<td>C or D</td>
<td>fail</td>
<td>incomplete</td>
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<tr>
<td>B-</td>
<td>pass</td>
<td>incomplete or inadequate</td>
</tr>
<tr>
<td>B-</td>
<td>fail</td>
<td>complete</td>
</tr>
<tr>
<td>B</td>
<td>pass</td>
<td>worst project for each topic</td>
</tr>
<tr>
<td>B+</td>
<td>pass</td>
<td>below the median for each topic</td>
</tr>
<tr>
<td>A-</td>
<td>pass</td>
<td>above the median for each topic</td>
</tr>
</tbody>
</table>
All projects will be graded by the end of the class period, i.e. the first week of December.

4. Oral Exam and Final Grades:

(a) Oral exams will be held during the final exam week. There will be a sign-up sheet posted on Canvas, and time slots are allocated on a first-come-first-serve basis.

(b) Eligibility for the Optional Oral Exam:
Students who do not have an A- after the course projects have been graded, are not eligible for the oral exam. The final grade of the course will be assigned for these students based on Table 1. The final exam is optional for all students that have an A- after the course projects have been graded.

(c) Opting-out of the Oral Exam:
If you opt-out of the final exam, your final grade will be equal to the grade based on Table 1, i.e. eligible students that opt out of the oral exam obtain an A- as the final grade.

(d) Format and Grading of Oral Exam:
The oral exam will take approximately 15 minutes. I will ask you to answer two questions that will be similar to the methodological questions on the problem sets. One question relates to the empirical methods and the other one to the models we covered. You receive a Low Pass if you cannot answer both questions. In that case your final grade will be a B+. You receive a Pass if you can correctly answer one of the two questions. Your grade will then remain unchanged. A High Pass requires answering both questions correctly. In that case you will receive an A as the final grade. Exceptional students may get an A+. There is no partial credit for incorrect answers.
5. The Expected Grade Distribution:

This grading policy implies that the average GPA for this course should be between 3.3 and 3.6, which is broadly consistent with the recommended grade distribution of the Department of Economics.

ADDITIONAL COURSE POLICIES:

1. Violations of the Honor Code:

All violations of the student honor code will result in an automatic F for the course. Major violations will also be reported to the Office of Student Conduct for additional investigations.

2. Due Dates:

Due dates for assignments will be announced in class and posted on Canvas. These dates are binding. You can opt-out of two problem sets, for personal or career reasons. There is no need for a justification. You just need to send me an email by Monday 1 am when the problem set is due. Only written statements provided by a professional health care worker are accepted for extensions of due dates after you have missed two problem sets or if you miss the oral exam.

3. Re-grade Requests:

The grades for the course project or the oral exam are final after they have been announced and cannot be appealed. Of course, I am happy to explain the grades to you in person if necessary.

4. Make-up Exam:

All make-up exams are oral and will be done in January 2021.