Professor Holger Sieg

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Urban Economics and Fiscal Policy: Econ 237
Fall 2021

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. 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. Economic policy and business decisions are made through discussion and debate. Effectively communicating the rationale for economic and business decisions is essential for implementation. In class, you are expected to be an active participant.

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 on Monday and Wednesdays from 2:15 to 3:15 pm and by appointment. You should contact me in advance, and then I set up a zoom meeting.

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. 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 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) Empirical Methods I: Correlation, Causality, and Regression Analysis, A1-A4.

    (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.

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 and 9.

(c) Rent Seeking, Corruption, and Weak Political Institutions: Chapter 10.

(d) Bargaining and Labor Relations: Chapter 11.

5. Taxation and the Practice of Urban Fiscal Policies:

(a) Empirical Methods II: Social Experiments, A5-A7.

(b) Property Taxation: Chapter 12

(c) Business Taxation: Chapter 13

6. Managing Urban Challenges:

(a) Urban Poverty and Welfare, Chapter 17.

(b) Reforming Urban Schools, Chapter 18.

(c) Crime and Public Safety, Chapter 19.

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) Empirical Methods III: Discrete Choice Models, A8-A9.

(d) Local Labor Markets: Chapters 24

(e) Real Estate Finance: Chapter 25.

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. The due dates are September 22, October 6, November 3, 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. If you miss the first exam, the second exam will account for 80 percent of your grade. If you miss the second exam or both exams, you will have to take the make-up exam in January. All make-up exams are 1:30 hour oral exams that cover the full material of the course. The first exam is scheduled for October 13. The second exam will be on December 6.

ADDITIONAL COURSE POLICIES:

1. Computer and smartphone use is NOT allowed during class time. If you violate this rule repeatedly you can, at best, obtain a B+ for the course.

2. All serious violations of the student honor code will result in an automatic F for the course.

3. Missing an Exam: A written statement provided by a professional health care worker is required if you miss an exam.

4. Regrade requests must be submitted within three days of date the problem set or exam was handed back to the students. All requests must be in writing.

5. If it turns out that in-class exams are not feasible due to COVID related policies, written exams will be replaced by a course project and an oral exam.