

**ECN 741**  
**Urban and Real Estate Economics**  
**Fall 2022, M&W 8:00 – 9:20**  
**Eggers 112**

Professor Stuart Rosenthal  
Eggers 446

Office Hours: By appointment  
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Economic growth is largely an urban phenomenon, the benefits of which are reflected in higher productivity, wages and standards of living. At the same time, segregation and congestion are often exacerbated by urbanization, the costs of which are reflected in inequality, social tensions, pollution, and traffic jams. Although urbanization is typically viewed as a positive net source of productivity and opportunity, this is not always the case. Recent work points to examples in which city growth can sometimes be associated with increased poverty and especially so in some developing countries. Although most cities in the world are growing, reflecting broad population trends, here too there are important exceptions. Shrinking cities are found in many countries, including the rust belt in the United States, former manufacturing hubs in China, and portions of Europe. In all cities, three sets of decision makers drive observable outcomes. These include households, business owners (entrepreneurs), and local government. This course and its companion, ECN 745, evaluates the drivers of urbanization, including incentives of decision makers, and related effects for both the good and bad sides of cities.

Students planning to attempt the PhD second year field hurdle in urban economics are required to take both ECN 741 and ECN 745. Guidelines for the field hurdle will be distributed separately to the class and require writing a research paper that must be submitted by end of May of next spring. You are encouraged to use the term papers for ECN 741 and ECN 745 to develop that paper.

The field of urban and regional economics is very broad and there is far more material than we will have time to cover, even over the two-course sequence. The primary emphasis in ECN 741 is on core conceptual ideas that help to explain why cities form, the type of activity that takes place in urban areas, and related challenges and benefits from urbanization. These ideas will be explored by drawing on context and experiences from different countries as well as patterns across and within cities. ECN 745 will provide additional contextual applications with a particular focus on urban issues that are especially important in developing countries.

Students seeking to attempt the field hurdle in urban economics should take ECN 741 before taking ECN 745. For those who are seeking a single class in urban economics, the two classes are designed so that you can take either as a standalone class. Check with me if you have any questions.

***Course Blackboard Site***

Assignments and other course related information will be posted to the course blackboard site.

***Readings***

Readings for the course will be drawn from items on the reading list. The exact selection of readings will depend on how quickly we move through the material and the interests and background of those in the class. The readings are primarily journal articles and book chapters including review papers that substitute

for a formal text. Links to the assigned readings will be posted to the class blackboard site and are also provided here on the syllabus.

### **Grading**

Your course grade will be determined based on your performance on the maximum of the two grading schemes described below.

#### **Grading Options I and II**

	Option I: No Term Paper	Option II: Term Paper
Class Presentations (two)	45%	30%
Final Exam	45%	30%
Term Paper	0%	30%
Class Participation	10%	10%

### **Final Exam**

The final exam will cover the entire course. The format for the exam will be announced roughly one month prior to the exam date.

### **Class Presentations**

Each student will present two articles to the class. For one or both you may be partnered with another student depending on how many people are in the class. Presentations will be based on papers posted to the course website. For both presentations, available papers will be highlighted and will be drawn from throughout the Syllabus. You are encouraged therefore to look over the entire syllabus when considering which paper(s) you may want to present. You are also welcome to suggest an alternate paper(s) for your presentation that has been published in the *Journal of Urban Economics* since roughly 2015, or in another major economics journal.

As part of your presentation, you must prepare and distribute a handout summarizing the main features of the paper and your talk.

I will meet with you to go over a draft of your slides 3-5 days before your presentation. Your grade will be based on the quality of your preparation for that meeting, your handout in class, and the clarity of your class presentation.

### **Research Paper**

The paper is intended to be an opportunity to develop possible dissertation work and/or as a possible starting point for the urban second-year field hurdle paper. It can be a careful synthesis and review of material in the literature, or it can include original research. The term paper must go beyond simply reviewing material discussed directly in class. While you are encouraged to draw on existing literature, you must not plagiarize.

If you choose to write a research paper, I am open to having you extend a previous term paper from a prior course. You must, however, first obtain permission from both me and the professor of your previous course.

As part of the term paper, a two-page paper proposal is due no later than Wednesday, October 26. Successful term papers will typically be between 10 to 20 pages in length, double spaced, with normal margins and fonts. Check with me if you want to do something outside of these guidelines.

Term papers are due the last day of class.

### ***Class Participation***

Class participation is important, so speak up. There are no bad questions. In addition, as a seminar class, everyone is expected to have read the assigned articles before class and show up ready to contribute.

### ***Class Format: Online versus in person***

Our default mode of instruction will be to meet in person. If circumstances require, we will meet by Zoom as a backup. We may also use Zoom and/or Gather Town ([www.gather.town](http://www.gather.town)) for office hours and related meetings as a supplement to meeting in person.

### ***Americans with Disabilities Act and SU Policy***

In compliance with Section 504 of the Americans with Disabilities Act (ADA), Syracuse University is committed to ensure that “no otherwise qualified individual with a disability ... shall, solely by reason of disability, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity”.

If you feel that you are a student who may need academic accommodations due to a disability, then you should immediately register with the Office of Disability Services (ODS) at 804 University Ave., Room 309, 3rd Floor, 315-443-4498 or 315-443-1371 (TDD only). ODS is the Syracuse University office that authorizes special accommodations for students with disabilities.

ODS policy stipulates that all paperwork associated with academic accommodations due to a disability be completed and returned to their office at least 10 days in advance of the exam date requested. All scheduled exams will be administered in the ODS testing center at 804 University Avenue. You must contact the ODS Service Coordinator at least 2 days prior to the scheduled exam to confirm the date and time of the event. Only students who register with the ODS office in a timely manner will be given accommodations on exams.

### ***Syracuse University’s Religious Observances Policy***

Syracuse University recognizes the diversity of faiths represented in the campus community and protects the rights of students, faculty, and staff to observe religious holy days according to their traditions. Under the policy, students are given an opportunity to make up any examination, study, or work requirements that may be missed due to a religious observance, provided they notify their instructors no later than the academic drop deadline. For observances occurring before the drop deadline, notification is required at least two academic days in advance. Students may enter their observances in MySlice under Student Services/Enrollment/My Religious Observances/Add a Notification.

### ***Academic Honesty***

Syracuse University's [Academic Integrity Policy](#) is available online. Academic honesty is expected of all students. Any incidence of academic dishonesty, as defined by the SU Academic Integrity Policy, will result in both course sanctions and formal notification of the College of Arts & Sciences. In this course, students are strongly encouraged to study together. However, portions of the final exam must represent the work of the individual student (details on the final exam will be provided later in the semester). Turnitin in Blackboard may also be used to check term paper submissions for potential plagiarism.

### ***Inclusion and Diversity***

- *Our primary commitment is to learn from each other.* We will listen to each other and not talk at each other. We acknowledge differences amongst us in backgrounds, skills, interests, and values.
- *We realize that it is these very differences that will increase our awareness and understanding.* We will not demean or devalue people for their experiences, lack of experiences, or difference in interpretation of those experiences.
- *Challenge the idea, not the person.* If we wish to challenge something that has been said, we will challenge the idea or practice referred to, not the individual sharing this practice.
- *Speak your discomfort.* If something is bothering you, please share this with the group (or with me in private).

### ***Discrimination or Harassment***

The University does not discriminate and prohibits harassment or discrimination related to any protected category including creed, ethnicity, citizenship, sexual orientation, national origin, sex, gender, pregnancy, disability, marital status, age, race, color, veteran status, military status, religion, sexual orientation, domestic violence status, genetic information, gender identity, gender expression or perceived gender.

Any complaint of discrimination or harassment related to any of these protected bases should be reported to Sheila Johnson-Willis, the University's Chief Equal Opportunity & Title IX Officer. She is responsible for coordinating compliance efforts under various laws including Titles VI, VII, IX and Section 504 of the Rehabilitation Act. She can be contacted at Equal Opportunity, Inclusion, and Resolution Services, 005 Steele Hall, Syracuse University, Syracuse, NY 13244-1120; by email: [titleix@syr.edu](mailto:titleix@syr.edu); or by telephone: 315-443-0211.

### ***Well-being and Mental Health***

Mental health and overall well-being are significant predictors of academic success. As such it is essential that during your college experience you develop the skills and resources to effectively to navigate stress, anxiety and other mental health concerns. Please familiarize yourself with the range of resources the Barnes Center provides ([ese.syr.edu/bewell](http://ese.syr.edu/bewell)) and seek out support for mental health concerns as needed. Counseling services are available 24/7, 365 days a year, at 315-443-8000.

## READING LIST

*Readings are subject to change.  
Check the course assignments for updates.*

**Starred Readings (denoted by \*) Are Available for Student Presentations**

### **PART 1: Productivity and Cities**

#### **1. Scale Economies, Transport Costs, and City Formation**

1. Rosenthal, Stuart S. and William Strange (2004), "[Evidence on the Nature and Sources of Agglomeration Economies](#)" in the Handbook of Urban and Regional Economics, Volume 4, pg. 2119-2172, Elsevier, eds. Vernon Henderson and Jacques Thisse.
2. Davis, Donald and David Weinstein (2002), "[Bones, Bombs, and Break Points: The Geography of Economic Activity](#)," *American Economic Review*, 92(5), 1269-1289.
3. \*Hoyt, Bleakley and Jeffrey Lin (2012), "[Portage and Path Dependence](#)," *Quarterly Journal of Economics*, 127, 587-644.

#### **2. Agglomeration Economies: Microfoundations and Geographic Scope**

1. Ellison, Glenn, Edward Glaeser, and William Kerr (2010), "[What Causes Industry Agglomeration? Evidence from Coagglomeration Patterns](#)," *American Economic Review*, 100(3), 1195-1213.
2. Autor, David H (2019). "[Work of the Past, Work of the Future](#)," *AEA Papers and Proceedings*, 109, 1-32.
3. Jales, Hugo, Boqian Jiang, and Stuart S. Rosenthal (forthcoming). "[JUE Insight: Using the Mode to Test for Selection in City Size Wage Premia](#)," *Journal of Urban Economics*. Article 103491.
4. Rosenthal, Stuart and William Strange (2020), "[How Close is Close? The Spatial Reach of Agglomeration Economies](#)," *Journal of Economic Perspectives*, 34(3), 27-49.
5. Liu, Crocker, Stuart Rosenthal and William Strange (2018), "[Agglomeration Economies and the Built Environment: Evidence from Specialized Buildings and Anchor Tenants](#)," working paper.
6. \* Li, Jing, Liyao Li and Shimeng Liu (2022). "[Attenuation of Agglomeration Economies: Evidence from the University of Chinese Manufacturing Firms](#)," *Journal of Urban Economics*, paper number 103458.
7. \* Costa, Dora L. and Matthew E. Kahn (2000), "[Power Couples: Changes in the Locational Choice of the College Educated, 1940-1990](#)," *Quarterly Journal of Economics*, Volume CXV, 1287-1315.

8. \* Glaeser, E.L. and D. C. Mare (2001), "[Cities and Skills](#)," *Journal of Labor Economics* 19(2), 316-342.
9. \* De la Roca, Jorge and Diego Puga (2017), "[Learning By Working in Big Cities](#)," *The Review of Economic Studies*, 84(1), 106-142.
10. \* Eckert, Fabian, Mads Hejlesen and Conor Walsh (2022). "[The Return to Big-City Experience: Evidence from Refugees in Denmark](#)," *Journal of Urban Economics*, 130, Paper number 103454.

### **3. Measuring Agglomeration and City Borders**

1. Ellison, Glenn and Edward Glaeser (1997), "[Geographic Concentration in U.S. Manufacturing Industries: A Dartboard Approach](#)," *Journal of Political Economy* 105, 889-927.
2. Duranton, Gilles and Henry Overmann (2005), "[Testing for Localisation Using Micro-Geographic Data](#)," *Review of Economic Studies*, 72(4), 1077-1106.
3. \* Dingel, Jonathan, Antonio Miscio and Donald David (2021), "[Cities, Lights, and Skills in Developing Economies](#)," *Journal of Urban Economics*, Vol 125, Article 103174.
4. \* Daniel Arribas-Bel, M.-À. Garcia-López, Elisabet Viladecans-Marsal (2021). "[Building\(s and\) cities: Delineating urban areas with a machine learning algorithm](#)," *Journal of Urban Economics*, Vol 125, Article 103217.

## **PART 2: Spatial Equilibria Across and Within Cities**

### **1. Migration across cities**

1. Rosenthal, Stuart S. and Stephen Ross (2015), "[Change and Persistence in the Economic Status of Neighborhoods and Cities](#)," in *Handbook of Regional and Urban Economics*, Volume 5, Elsevier Inc., Pages 1048-1054 and 1088-1106.
2. Duranton, Gilles (2007), "[Urban Evolutions: The Fast, the Slow, and the Still](#)," *American Economic Review*, 97(1), 197-221.
3. Findeisen, Sebastian and Jens Südekum (2008), "[Industry Churning and the Evolution of cities: Evidence for Germany](#)," *Journal of Urban Economics*, 64(2), 326-339.
4. Chen, Yong and Stuart Rosenthal (2008), "[Local Amenities and Life Cycle Migration: Do People Move for Jobs or Fun?](#)" *Journal of Urban Economics*, 65(3), 519-537.

## 2. Residential and commercial activity within cities

1. Rosenthal, Stuart S. and Stephen Ross (2015), "[Change and Persistence in the Economic Status of Neighborhoods and Cities](#)," in *Handbook of Regional and Urban Economics*, Elsevier Inc., Volume 5, Pages 1054-1088.
2. Baum-Snow, Nathaniel (2007), "[Did Highways Cause Suburbanization?](#)" *Quarterly Journal of Economics*, 122(2), 775-805.
3. Brueckner, Jan and Stuart Rosenthal (2009), "[Gentrification and Neighborhood Cycles: Will America's Future Downtowns Be Rich?](#)" *Review of Economics and Statistics*, 91(4), 725-743.
4. Rosenthal, Stuart (2014), "[Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a Repeat Income Model](#)," *American Economic Review*, 104(2): 687-706.
5. \* Glaeser, Edward L., Matthew E. Kahn, and Jordan Rappaport (2008), "[Why Do the Poor Live in Cities? The Role of Public Transport](#)," *Journal of Urban Economics*, 63(1), 1-24.
6. \* Rosenthal, Stuart S. and William Strange (2018). "[The vertical city: Rent gradients, spatial structure, and agglomeration economies](#)" *Journal of Urban Economics*, 106, 101-122.

## 3. COVID-19 and Work from Home

1. \* Gupta, Arpit, Vrinda Mittal, Jonas Peeters and Stijn Van Nieuwerburgh (2021), "[Flattening the curve: Pandemic-Induced revaluation of urban real estate](#)" *Journal of Financial Economics*.
2. \* Rosenthal, Stuart S., William Strange and Joaquin Urrego (2022). "[JUE insight: Are city centers losing their appeal? Commercial real estate, urban spatial structure, and COVID-19](#)". *Journal of Urban Economics*, 127, Article 103381.
3. \* Brueckner, Jan, Matthew Kahn and Gary Lin (forthcoming). "[A New Spatial Hedonic Equilibrium in the Emerging Work-From-Home Economy?](#)" *AEJ Applied*.

## **PART 3: Uncertainty, Boom-Bust Episodes and Efficiency**

### 1. Real Options

1. Dixit and Pindyck, *Investment Under Uncertainty*, Ch 1 and 2, Princeton University Press, 1994.
2. Cunningham, Christopher (2007), "[Growth Controls, Real Options and Land Development](#)," *Review of Economics and Statistics*, 89 (2): 343–358.

### 2. Supply constraints, boom-bust episodes, and efficiency

1. Case, Karl and Robert Shiller, "[The Efficiency of the Market for Single Family Homes](#)," *American Economic Review*, 79(1), 125-137 (1989).

2. Glaeser, Edward L. and Joseph Gyourko (2005), "[Urban Decline and Durable Housing](#)," *Journal of Political Economy*, 113(21), 345-375.
3. Liu, Crocker, Adam Nowak, and Stuart Rosenthal (2016), "[Housing Price Bubbles, New Supply and Within-City Dynamics](#)," *Journal of Urban Economics*, 96, 55-72.
4. Maloney, Maeve and Stuart S. Rosenthal (2022). "[Why Do Home Prices Appreciate Faster in City Centers? The Role of Risk-Return Trade-Offs in Real Estate Markets](#)" Working paper.
5. \* Guren, Adam (2018), "[House Price Momentum and Strategic Complementarity](#)" *Journal of Political Economy* 123(3), 1172-1218.
6. \* Glaeser, Edward, Wei Huang, Yueran Ma and Andrei Shleifer (2017), "[A Real Estate Boom with Chinese Characteristics](#)" *Journal of Economic Perspectives*, 31(1), 93-116.

#### **PART 4: Government Policy and Real Estate Markets**

1. Rohlin, Shawn, Stuart S. Rosenthal, and Amanda Ross (2014), "[Tax avoidance and business location in a state border model](#)," *Journal of Urban Economics*, 83, 34-49.
2. \* Chen, Ying, J. Vernon Henderson, and Wei Cai (2017), "[Political favoritism in China's capital markets and its effect on city sizes](#)." *Journal of Urban Economics*, 98, 69-87.
3. \* Busso, Matias, Jesse Gregory and Patrick Kline (2013), "[Assessing the Incidence and Efficiency of a Prominent Place Based Policy](#)," *American Economic Review*, 103(2), 897-947.
4. \* Gandhi, Sahil, Richard K. Green, Shaonlee Patranabis (forthcoming). "[Insecure Property Rights and the Housing Market: Explaining India's Housing Vacancy Paradox](#)," *Journal of Urban Economics*, Article 103490.
5. \* Magontier, Pierre, Albert Sole Ole, and Elisabet Viladecans (CESifo Working Paper Series 9059.). "[The Political Economy of Coastal Development](#),"
6. \* Brueckner, Jan, Shihe Fu, Yizhen Gu and Junfu Zhang (2017), "[Measuring the Stringency of Land Use Regulations: The Case of China's Building Height Limits](#)," *Review of Economics and Statistics*, 99(4), 663-677.
7. \* Cai, Hongbin, Zhi Wang and Qinghua Zhang (2017), "[To Build Above the Limit? Implementation of Land Use Regulations in Urban China](#)." *Journal of Urban Economics*, 98, 223-233.



### **PART 5: Neighborhood Effects and Contagion**

1. \* DeFusco, Anthony, Wenjie Ding, Fernando Derreira, and Joseph Gyourko (2018). "[The Role of Price Spillovers in the American Housing Boom](#)," *Journal of Urban Economics*, 108, 72-84.
2. \* Towe, Charles and Chad Lawley (2013), "[The Contagion Effect of Neighboring Foreclosures](#)," *American Economic Journal: Economic Policy*, 5(2), 313-335.
3. \* McCartney, Ben and Avni M. Shah (2022). "[Household mortgage refinancing decisions are neighbor influenced, especially along racial lines](#)" *Journal of Urban Economics*, Vol 128, Article 103409.

### **PART 6: Crime**

1. \* Gould Ellen, Ingrid, Johanna Lacoé and Claudia Sharygin (2013), "[Do Foreclosures Cause Crime](#)," *Journal of Urban Economics*, 74, 59-70.
2. \* Manelici, Isabela (2017), "[Terrorism and the value of proximity to public transportation: Evidence from the 2005 London bombings](#)," *Journal of Urban Economics*, 102, 52-75.
3. \* Rosenthal, Stuart S. and Joaquin Urrego (2022), "[Eyes on the Street, Spatial Concentration of Retail Activity and Crime](#)," Working paper.