

ECN 745
Urban and Real Estate Economics
Spring 2021, M&W 8:30 – 9:50
Eggers 112

Professor Stuart Rosenthal
Eggers 446
Email: ssrosent@maxwell.syr.edu

Office Hours: By appointment
Phone: 443-3809

Economic growth is largely an urban phenomenon, the potential benefits of which are reflected in the high standards of living that have been achieved in the United States and other developed countries. At the same time, poverty, segregation, and congestion are often exacerbated by the urbanization of society, the costs of which are reflected in social tensions, crime, pollution, and traffic jams. Urbanization is mostly viewed as a positive source of productivity and opportunity in developed countries, but this is sometimes not the case in developing countries. This course and its companion, ECN 741, evaluate the economic foundations of both the good and bad sides of urbanization.

Students planning to take the comprehensive exam in urban and regional economics are required to take both ECN 741 and ECN 745. Students not planning to take the comprehensive exam are welcome to take either or both courses. It is not necessary to have taken ECN 741 prior to this course.

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 spatial patterns of economic activity and land rents within individual cities. In contrast, the first half of this course emphasizes the extent and manner in which spatial concentration of economic activity contributes to productivity and growth. Cities and neighborhoods often exhibit both persistence and change, which we will consider. Finally, we will examine various implications of investment in land markets under uncertainty, including timing of development, marketing of real estate, house price dynamics and efficiency. These issues bear on whether real estate values reflect underlying fundamentals versus bubbles.

Course Website

Assignments and other course related information will be posted to the [course website](#).

Readings

Readings for the course will be drawn from items on the reading list. The exact selection of readings will depend in part 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 several from volumes 4 and 5 of the Handbook of Regional and Urban Economics. Links to the readings will be posted to the Assignments section of the website.

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 of these you may be partnered with another student in the class depending on how many people are in the group. Presentations will be based on papers posted to the course website. 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 2010, 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. It can be a careful synthesis and review of material in the literature or it can include original research. The term paper must also 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 if that will help to develop your dissertation. 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 by Monday, March 22. Successful term papers will typically be between 15 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.

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 During the Pandemic: Online versus in person

Our default mode of instruction will be to meet online using Zoom. In person sessions may also occur if conditions allow but will always be offered in hybrid synchronous format so that students who prefer to attend online can fully participate. We may also use Gather Town (www.gather.town) for some sessions.

Academic Honesty

Syracuse University's [Academic Integrity Policy](#) is available online.

Policies for all SU courses: Syracuse University's Academic Integrity Policy reflects the high value that we, as a university community, place on honesty in academic work. The policy defines our expectations for academic honesty and holds students accountable for the integrity of all work they submit. Students should understand that it is their responsibility to learn about course-specific expectations, as well as about university-wide academic integrity expectations. The policy governs appropriate citation and use of sources, the integrity of work submitted in exams and assignments, and the veracity of signatures on attendance sheets and other verification of participation in class activities. The policy also prohibits students from submitting the same work in more than one class without receiving written authorization in advance from both instructors. Under the policy, students found in violation are subject to grade sanctions determined by the course instructor and non-grade sanctions determined by the School or College where the course is offered as described in the Violation and Sanction Classification Rubric. SU students are required to read an online summary of the University's academic integrity expectations and provide an electronic signature agreeing to abide by them twice a year during pre-term check-in on MySlice.

Policies specific to this course: You are encouraged to study together. Some class presentations may also be with a partner. Except where noted, your work on exams and the research paper must be done independently, and be your own.

READING LIST

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

PART 1: Productivity and Cities

1. Scale Economies and Transport Costs in City Formation

1. Krugman, Paul, "Localization," Chapter 2 in *Geography and Trade*, MIT Press, 33-67, (1991).
2. 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, pp. 2119-2172, Elsevier, eds. Vernon Henderson and Jacques Thisse.
3. Rosenthal, Stuart S. and William Strange (2006), "The Micro-Empirics of Agglomeration Economies", in *Companion to Urban Economics*, Blackwell, Richard Arnott and Dan McMillen (eds.), pp 7-23, Blackwell.

2. The Geographic Scope of Agglomeration Economies

1. Rosenthal, Stuart and William Strange (2020), "How Close is Close? The Spatial Reach of Agglomeration Economies," *Journal of Economic Perspectives*, 34(3), 27-49.
2. Arzaghi, Muhammad and J.V. Henderson (2008), "Networking off Madison Avenue," *Review of Economic Studies*, 75(4), 1011-1038.
3. Liu, Crocker, Stuart Rosenthal and William Strange (2018), "Building Specialization, Anchor Tenants and Agglomeration Economies," Working paper.

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. Chauvin, Juan Pablo, Edward Glaeser, Yueran Ma and Kristina Tobio (2017), "What is different about urbanization in rich and poor countries? Cities in Brazil, China, India and the United States." *Journal of Urban Economics*, 98, 17-49.
4. Dingel, Jonathan, Antonio Miscio and Donald David (2018), "Cities, Lights, and Skills in Developing Economies," *Journal of Urban Economics*, forthcoming.

4. Microfoundations of Agglomeration Economies

1. 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.
2. Glaeser, E.L. and D. C. Mare (2001), "Cities and Skills," *Journal of Labor Economics* 19(2), 316-342.
3. Ellison, Glenn, Edward Glaeser, and William Kerr (2010), "What Causes Industry Agglomeration? Evidence from Coagglomeration Patterns," *American Economic Review*, 100(3), 1195-1213.

5. Local Government Policy and Growth

1. Holmes, Thomas J. (1998), "The Effect of State Policies on the Location of Manufacturing: Evidence from State Borders," *Journal of Political Economy*, 106 (4), 667-705.
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. 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.
4. 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.

PART 2: Change and Persistence Within and Across Cities

1. 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. 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.
4. Duranton, Gilles (2007), "Urban Evolutions: The Fast, the Slow, and the Still," *American Economic Review*, 97(1), 197-221.
5. Findeisen, Sebastian and Jens Südekum (2008), "Industry Churning and the Evolution of cities: Evidence for Germany," *Journal of Urban Economics*, 64(2), 326-339.

6. Glaeser, Edward L. and Joseph Gyourko (2005), "Urban Decline and Durable Housing," *Journal of Political Economy*, 113(21), 345-375.
7. 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. 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. 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.
4. Card, David, Alexandre Mass and Jesse Rothstein (2008), "Tipping and the Dynamics of Segregation," *Quarterly Journal of Economics*, 123(1), 177-218
5. 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.
6. 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.

PART 3: Uncertainty, Supply Constraints and Volatility in Real Estate Markets

1. Real Options in Urban Development

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. Marketing Real Estate Under Uncertainty

1. Han, Lu and William C. Strange (2015), "The Microstructure of Housing Markets: Search, Bargaining, and Brokerage," in Handbook of Regional and Urban Economics, Volume 5, Elsevier Inc.
2. Han, Lu and William C. Strange (2013), "Bidding Wars for Houses," *Real Estate Economics*, 41(3).

3. Genesove, David and Lu Han (2012), "Search and Matching in the Housing Market" *Journal of Urban Economics*, 72, 31-45.

3. Land Supply Restrictions

1. 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.
2. 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.
3. Glaeser, Edward and Bryce Ward (2009), "The Causes and Consequences of Land Use Regulation: Evidence from Greater Boston" *Journal of Urban Economics*, 65, 265-278.
4. Paciorek, Andrew (2013), "Supply Constraints and Housing Market Dynamics" *Journal of Urban Economics*, 77, 11-26.

4. Mortgage Default and House Prices

1. Towe, Charles and Chad Lawley (2013), "The Contagion Effect of Neighboring Foreclosures," *American Economic Journal: Economic Policy*, 5(2), 313-335.
2. Anenberg, Elliot and Edward Kung (2014), "Estimates of the Size and Source of Price Declines Due to Nearby Foreclosures" *American Economic Review*, 104(8), 2527-2551.
3. Mian, Atif, Amir Sufi and Francesco Trebbi (2015), "Foreclosures, House Prices, and the Real Economy" *Journal of Finance*, 70, 2587-2633.

5. Crime and Housing Markets

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.

6. Efficiency and Boom-Bust Episodes in Real Estate Markets

1. Glaeser, Edward and Charles Nathanson (2015), "Housing Bubbles," in Handbook of Regional and Urban Economics, Volume 5, Elsevier Inc.
2. Glaeser, Edward (2013) Ely Lecture, "A Nation of Gamblers: Real Estate Speculation and American History" *American Economic Review*.
3. Case, Karl and Robert Shiller, "The Efficiency of the Market for Single Family Homes," *American Economic Review*, 79(1), 125-137 (1989).

4. Guren, Adam (2018), "House Price Momentum and Strategic Complementarity" *Journal of Political Economy* 123(3), 1172-1218.
4. Liu, Crocker, Adam Nowak, and Stuart Rosenthal (2016), "Housing Price Bubbles, New Supply and Within-City Dynamics," *Journal of Urban Economics*, 96, 55-72.
5. 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.