

## **Course Code: ECON-335**

**Title: Urban Economics**

**Credit Hours: 03**

### **Course Objectives:**

The discipline of urban economics is defined by the intersection of geography and economics. Economics explores the choices people make when resources are limited. Households make choices to maximize their utility while firms maximize their profit. Geographers study how things are arranged across space. Urban economics puts economics and geography together, exploring the location choices of utility-maximizing households and profit-maximizing firms. Urban economics also explores the causes and consequences of urban problems such as congestion, pollution, and crime and evaluates alternative policy responses to these problems. Also, urban economics explores the efficiency and distributional effects of the policies of local governments.

### **Learning Outcomes:**

The students should learn:

- how urban cities are formed?

- how do they manage resources to maximize efficiency?
- about the problems of urban cities, such as providing education and health facilities.

**Course Contents:**

|   |   |
|---|---|
| <b>Introduction</b>                                     | What is urban economics? What is a city? Why do cities exist? The five axioms of urban economics, Trading City, Trading Cities in Urban History, Factory City,  |
| <b>Agglomeration Economies and Clustering</b>           | Sharing Intermediate Inputs, Self-Reinforcing Effects Cause Industry Clusters, Sharing a Labor Pool, Labor Matching, Knowledge Spillovers, Urbanization Economies, Utility and City Size, A System of Cities, Specialized and Diverse Cities,   |
| <b>Urban Growth</b>                                     | Where Do cities Develop? The Urban Labor Market, Public Policy and Equilibrium Employment, The Regional Context of Urban Growth, Consumer Cities and Central Place Theory.  |
| <b>Land Rent and Manufacturing Land</b>                 | Introduction to Land Rent, Bid-Rent Curves for the Manufacturing Sector, Bid-Rent Curves for the Information Sector, Office Bid-Rent Curves with Factor Substitution, Housing Prices, The Residential Bid-Rent Curve.   |
| <b>Spatial Distribution of Employment and Residence</b> | The Spatial Distribution of Population, The Rise of the Monocentric City, The Demise of the Monocentric City, Urban Sprawl, The Monocentric Model and Applications.   |
| <b>Neighborhood and Land Use Policy</b>                 | Diversity versus Segregation, Sorting for Local Public Goods, Neighborhood Externalities, Neighborhood Choice, Racial Segregation, The Consequences of Segregation, Land-Use Zoning, Growth Control: Urban Growth Boundaries  |
| <b>Urban Public Transit and Local Government</b>        | Autos and Highways, Congestion Externalities, The Congestion Tax, Practicalities of the Congestion Tax, Alternatives to a Congestion Tax, Commuting and Transit Ridership, The Cost of Travel and Modal Choice, The Efficient Volume of Ridership, Designing a Transit System, The Role of Local Government, Local Public Goods: Equilibrium versus Optimum, Natural Monopoly, Federalism and Metropolitan Government |
| <b>Education and Crimes</b>                             | Spending and Educational Achievement, The Education Production Function, School Inputs: The Importance of Teachers, Innovation: Charter Schools, Spending Inequalities and Public Policy, Education in Central Cities, Crime Facts, The Rational Criminal, The Equilibrium Quantity of Crime, Legal Opportunities and Education   |

### Teaching Methodology:

- To deliver lectures on topics included in course outline
- To require each student to solve independent assignments on topics included in the course.

### Evaluation Criteria:

| Evaluation Method   |  |
|---------------------|--|
| Quizzes/Assignments |  |
| Mid-Term Exam       |  |
| Final-Term Exam     |  |

### Recommended Books:

- O'Sullivan, Arthur (2019). *Urban Economics*. 9th Edition, NY, McGraw Hill Education
- John F. McDonald and Daniel P. McMillan (2011), *Urban Economics and Real Estate: Theory and Policy*, Malden, MA, Blackwell Publishing.
- Barry Bluestone, B., Stevenson, M. H. and Russell Williams (2008), *The Urban Experience: Economics, Society and Public Policy*, Oxford, U.K., Oxford University Press.
- Brendan O'Flaherty (2005), *City Economics*, Cambridge, MA, Harvard University Press.
- John McDonald (1997), *The Fundamentals of Urban Economics*, Upper Saddle River, New Jersey: Prentice-Hall.
- Relevant material in the context of Pakistan Urban conditions should be added by the course instructor.