

Professor Holger Sieg
PCPE 615
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Urban Fiscal Policy: Economics 237 Spring 2019

COURSE DESCRIPTION:

This course will analyze the problems of, and prospects for, managing cities and municipalities. The course is an elective in economics that is designed for juniors and seniors. To take this course and get the most out of it, you need a solid understanding of micro-economics and statistics. Most importantly, you need to be interested in economic and urban policy.

We will view cities as economic organizations not unlike a publicly held corporation. There are shareholders called "owners" and "renters" of residential land. Voting rights are in terms of one person-one vote. The city is run by a city council which serves like a "board of directors." The chairman of the board – appointed by the council or elected directly – is the mayor of the city.

The city provides services to its shareholders as well as non-shareholders, the most important of which are businesses that are located within the city. The primary purpose of a city-corporation is to protect and enhance a region's competitive advantage through the provision of important services for residents and businesses. These services include the provision of infrastructure and services with significant interdependencies such as safety, education, and environmental protection. As such cities perform a vital role in the economy. We will also analyze challenges faced by urban metropolitan areas in an increasingly globalized economy.

PREREQUISITES

Economics 101, 102, 103, and 104.

REQUIRED READINGS:

1. Sieg, H. (forthcoming in 2020), *Urban Economics and Fiscal Policy*, Princeton University Press. All relevant chapters will be posted on Canvas.
2. Sana, A. and T. Weston and N. Cepeda (2013), "Laptop multitasking hinders classroom learning for both users and nearby peers," *Computers & Education*, 62, 24-31.

OPTIONAL READINGS:

The following books will give you different perspectives on the some of the topics discussed in class:

1. Jacobs, J. (1968), *The Economy of Cities*, Vintage Books.
2. Caro, R. (1975), *The Power Broker: Robert Moses and the Fall of New York*, Vintage Books.
3. Kahn, M. (2010), *Climatopolis: How our Cities will Thrive in the Hotter Future*, Basic Books.
4. Glaeser, E. (2011), *Triumph of the City*, Penguin Press.

GRADING and IMPORTANT DATES:

Your grade is based on four problem sets (you need to pass 3 out of 4), two in-class exams (40 percent each), and performance in a debate (two assignments, each worth 10 percent). In-class exams will be February 20th and April 17th. The debates will be on April 24, April 29, and May 1. If you cannot participate in a debate on April 24

or April 29 because of the religious holidays, please let me know and I will schedule your group on May 1. Homework will be graded pass/fail. Changes to important dates will be announced in class and posted online, if necessary.

EXTRA CREDIT:

Each student can earn extra credit, which is worth 1/3 of a grade, by helping me debug the manuscript of the text book.

DEBATES:

We will have 5-6 debates on different topics. Each student will be randomly assigned to one group consisting of 4-5 students. For each topic there will be one group that will be assigned the role of the "pro" and one group that will be assigned the "con" in the debate. Each debate will be based on an additional chapter of the textbook that was not covered in class. The debates will be graded based on a written and a oral component, each worth 10 percent of your grade.

For the written component, each group will be asked to read one additional chapter of textbook that was not covered in class. You are then asked to answer eight questions that should guide the debates. Answering these questions will require you to do some independent research. The week of March 24 - 30 has been designated for independent research in preparation for the debates. There will be no classes during that week. The written answers to the questions (8 page maximum) are due on April 3. This assignment is worth 10 percent of your grade.

The oral debates will be on April 24, April 29, and May 1. The format of the debate is as follows. Each group has 2 minutes for a prepared opening statement. This will be followed by three rounds of short replies (2 min), that gives each group the opportunity to refute the arguments made by the other group. The debate ends with final statements of each group (2 min). Each member of the group is required to talk

during the debate. This assignment is worth 10 percent of your grade.

Each group member will receive the same grade unless there is clear evidence suggesting a deviation. The topics of the debates will be announced later in class.

OFFICE HOURS:

Office hours will be held on Mondays after class (3:30-5:00 pm) in PCPSE 615. If you need to contact me, please send me an email. (holgers@econ.upenn.edu), and I'll try to answer within 24 hours. The TA for this class is Zhemin Yuan (yzhemin@sas.upenn.edu).

COURSE OUTLINE:

1. Introduction to Urban Economics and Fiscal Policy (Chapter 1)
2. The Economic Rationale of Cities
 - (a) Agglomeration Productivity and Trade (Chapter 2)
 - (b) Fiscal Federalism and Decentralization (Chapter 3)
3. The Efficient 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 Local Public Good Provision (Chapters 6 and 7)
 - (b) Household Mobility and Fiscal Competition (Chapter 8)
 - (c) Corruption, Lobbying, and Rent Seeking (Chapter 10)
 - (d) Collective Bargaining and Public Employee Unions (Chapter 11)

5. The Determination of City Taxes
 - (a) Property Taxation (Chapter 12)
 - (b) Business Taxation (Chapter 13)
6. Managing Urban Challenges
 - (a) Poverty and Welfare (Chapters 17)
 - (b) Education and Urban Schools (Chapter 18)
 - (c) Environmental Challenges (Chapter 20)
7. Urban Land, Housing, and Labor Markets
 - (a) The Internal Structure of Cities (Chapter 22)
 - (b) Land and Housing Markets (Chapter 23)
 - (c) Local Labor Markets (Chapter 24)
 - (d) Homeownership, Mortgage Markets, and Default (Chapter 25)

Deviations are possible and will be posted on the course web page.

VARIOUS CLASS POLICIES:

1. Assigned chapters of the textbook should be read prior to class.
2. No Computer and Smart Phone Use during Class Time:
Computers and smart phones have to be turned off during class time. Please read the article listed above that is part of the required reading.
3. Cheating:
Obviously, you are not allowed to cheat during exams. Violations of this policy will result in a failing grade (F) and will be reported to OSC.

4. In-class Exams:

All in-class exams are closed book. No aids are allowed. You are not allowed to leave the room during the exam, i.e. there are no bathroom breaks during the exam. All exams will be scanned to avoid cheating after the exam has been graded.

5. Cooperation on Homeworks:

You may discuss homework assignments; however, each individual must submit a separate homework assignment.

6. Format of Assigned Work:

All homework assignments must be typed with the exception of mathematical derivation which can be hand-written.

7. Re-grade Requests:

Re-grade requests need to argue that the answer to the question is correct and deserves full credit. There is no review of partial credit. Any request for a re-grade must be submitted to me in writing including a detailed justification of the request.

8. Make-up Exam:

There will a make-up exam that will be given in August before the beginning of the fall semester. The make-up exam will cover the material of entire course. The make-up exam is two and half hours. If you miss the first exam, the second exam will account for 80 percent of your class. If you miss the second exam, the make-up exam will account for 40 percent of your grade. If you miss both exams, the make-up exam will account for 80 percent of your grade. If you are a senior, all make-up exams are 30 minute oral exams.

9. Return of Homeworks and Exams:

You are responsible for picking up graded home works and exams.