The Economics of Cities and Regions
Econ 26610
Mondays and Wednesdays, 4:30pm to 5:50pm
Location: TBD
University of Chicago
Winter 2024
TA: Feng Lin, fenglin2@uchicago.edu
Course Canvas Webpage

Syllabus

Overview: This course studies business and individual location decisions and how they determine the main economic forces that lead to the existence and performance of cities and regional agglomerations. The course starts by developing a simple theory of cities and its implications for city size, firm productivity, and housing prices. It then studies evidence of the impact of cities on firm and worker productivity, urban amenities, and congestion. We will discuss the problems in measuring these forces, the methodologies to do so, as well as the implications of this measurement for businesses, individuals, and urban policy. We will also study the internal structure of cities, and how to evaluate the effect of new infrastructure or policy on land and housing values as well as on overall welfare. Finally, the course will analyze the role cities and regions play in aggregate economic development.

Grading: Your grade for this course will be based on two problem sets (20%), a midterm (30%), a final exam (50%), and class participation (bonus points). Problem sets can be submitted in groups of a maximum of three students. Please direct all questions about exams and problem sets to the TA.

Readings: This syllabus and the lecture slides are located on the course Canvas site. Please read the assigned articles before class. Papers marked as “Technical” are optional and contain mathematical technicalities that go beyond those required for the course. We will use three books on top of specific readings on each topic. Links to the readings are provided below. Some readings will require you to be on the UChicago network to access them. The books are:

- Glaeser, Triumph of the City, 2011, Penguin Books

All books have been ordered at the bookstore and are on reserve at the library. The required chapters are listed by topic below. Reading the entirety of the first two books is recommended.

Outline:

Week 1
- Organization and course information
• Introduction
  ▪ What is a city? Why do businesses and individuals locate there?
    * Glaeser, “Introduction” and “What do they make in Bangalore?,” in Triumph of the City
    * Moretti, “Introduction” and “The great divergence,” in The New Geography of Jobs
  ▪ A basic city model: Agglomeration and congestion
    * Waddell and Sarte, “From stylized to quantitative spatial models of cities,” Economic Quarterly (2016) (Technical)

Week 2
• Agglomeration Forces
  ▪ Production Externalities: Firms learn from each other
    * Chatterji, Glaeser and Kerr, “The origins of entrepreneurship and innovation clusters,” VoxEU (2013)
    * Comin and Rossi-Hansberg, “Heavy technology: The process of technological diffusion over time and space,” VoxEU (2012)
  ▪ Dense labor markets: Better matching between firms and workers
  ▪ Suppliers and customers: Firms face lower overall transportation costs in cities
  ▪ History: Why do firms stay in the same location?
    * Michaels and Rauch, “Can history leave towns struck in places with bad locational fundamentals?,” VoxEU (2013)
Week 3

- Urban amenities and residential valuation: What city characteristics do individuals value?
  - The city as a consumption center and the measurement of amenities
    * Sen and Scavette, “Purchasing power across the U.S.,” Regional Spotlight (2017)
  - Hedonic valuation: How to value a house that has not been sold?
  - Housing Externalities: How others affect the value of my house

Week 4

- Urban population and skill sorting: Who lives where?
  - Urban wage premium and learning: Living in a city affects your wage today and in the future
  - Skill sorting and urban inequality: It’s easier to hire talent in cities, and increasingly so
    * Behrens and Robert-Nicoud, “Urbanisation makes the world more unequal,” VoxEU (2014)

Week 5

- Congestion
  - Transportation networks in cities: Reducing the cost of doing business
  - Commuting and the availability of workers and consumers

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**Week 6**

- Systems of cities and industrial composition
  - The size distribution of cities and urban migration
    * Combes, Demurger and Shi, “Urbanisation and migration externalities in China,” VoxEU (2013)
    * Desmet and Rossi-Hansberg, “Are the world’s megacities too big?,” VoxEU (2011)
  - Industrial agglomeration and market concentration: Do industries cluster? What are the trends in concentration?
  - Input-output linkages between firms and their importance for location choices and the impact of shocks
    * Mori, “Constant churning and persistent regularity in population and industrial locations: Evidence from Japan,” VoxEU (2017)

**Week 7**

- Urban growth and decline: Why it is easier to grow than to shrink
  - Housing and land supply
Inelastic city structure: The consequences of past growth
* Pinto, “Responding to urban decline,” Economic Brief (2017)

Gentrification: Up-and-coming neighborhoods and their characteristics

Moving to opportunity and the investment component of location choices
* Bliss, “If location is an asset, high rent is ‘Saving’ for the future,” CityLab (2018)

Work from home
* Zarate, Dolls, Davis, Bloom, Barrero, Giray, “Working from home around the world,” VoxEU (2023)

**Week 8**
- Housing and real estate
  - Decomposing real-estate trends: What determines the value of a house?
  - The Great Recession and other boom-bust cycles
    * Eyigungor, “Housing’s role in the slow recovery,” Economic Insights (2016)
  - Regulation: The impact of regulation on business and residential real estate

**Week 9**
- Climate Change and Location Choices
  - Green cities
  - Mobility and urban adaptation due to climate
* Desmet and Rossi-Hansberg, “Moving to Greenland in the face of global warming,” VoxEU (2013)
* Kocornik-Mina, McDermott, Michaels and Rauch, “Do floods shift economic activity to safer areas?,” VoxEU (2016)
* Conte, Desmet, and Rossi-Hansberg, “Carbon taxes may be a boon for the world, even in the short run,” VoxEU (2023)
* Bilal and Rossi-Hansberg, “The importance of anticipating climate change,” VoxEU (2023)