

**Econ 3021**  
**Urban Economics**  
**(0.5 units, Winter 2009)**

**Instructor:** Dr. Lars Nesheim  
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**Time and Location:** Thursday 2:00 – 4:00 Jevons Lecture Theater (Drayton House)  
**Office Hours:** Wednesday 1:00 – 3:00 or by appointment

**Aims:** This course has two primary aims. The first aim is to show students the most important ways in which economic theory and applied methods have been used to analyse urban economies. The second aim is to enable students to analyse key issues in the markets for land, housing, and transportation using economic tools.

**Objectives:** After completing the course students should:

- have a clear understanding of the main topics of the course including the theory of location choice, spatial equilibrium and land rents, local externalities, the theory of housing investment, and congestion and transportation economics.
- be able to use standard models from urban economics to analyse questions related to location choice, housing markets, transportation, land use, and local public finance.

**Course Website:**

<http://www.homepages.ucl.ac.uk/~uctpln0/ECON3021/ECON3021.htm>

**Primary Texts**

- Nesheim, L. ECON3021 Lecture Notes
- Nesheim, L. ECON3021 Homework Solutions

**Supplementary reading**

- E. Mills and B. Hamilton, *Urban Economics*, 1994.
  - Out of print.
  - On reserve in library, 3 copies.

**Prerequisites:** The course uses economic theory and empirical models at a level appropriate for third year Economics undergraduates. Knowledge of algebra and calculus is required.

**Overview:** This third-year Economics course draws on economic theory and applied methods to analyse the factors underlying urban economies and the markets for land, housing, and transportation. A key feature of the analysis will be the importance of spatial interactions in urban economies. A number of key topics in urban economics will be considered: the theory of location choice and land rents; agglomeration, congestion and other local spillovers; housing investment and the evolution of the housing stock; land use and land use regulation; and local public finance.

**Coursework:** There will be 4 written assignments. These must be in the class pigeon hole by noon on the Monday the week the assignment is due.

**Exams:** The final examination will be a 2 hour examination based on material covered in lectures, assigned readings, and tutorial class assignments.

## Course Outline

1. Introduction – Lecture 1
  - (a) What is urban economics?
  - (b) What is a city?
  - (c) How to model it?
2. Location choice, spatial equilibrium in a simple city, and extensions – Lectures 2-6
  - (a) Residential and business location choice
  - (b) Spatial equilibrium and land rent
  - (c) Spatial equilibrium and city size
3. Transportation – Lectures 7-10
  - (a) Congestion and peak-load pricing
  - (b) Transportation infrastructure investment
  - (c) Consumer choice of mode of transportation
4. Housing markets – Lectures 11-15
  - (a) Consumer and landlord decision problems
  - (b) Tenure choice, housing investment, and credit constraints
  - (c) Evolution of the housing stock
  - (d) Rent control
5. Urban public economics – Lecture 16-20
  - (a) Property taxes
  - (b) Land use and land use regulations
  - (c) Public facility location choice
  - (d) Pollution, crime and other externalities
  - (e) Local public services and public goods