



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

ECON317

Urban and Regional Economics

Semester 1, 2023

Department of Economics, Otago Business School

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Lectures: TBA

Rooms: TBA

Course Objectives

The last two hundred years have witnessed a stunning shift in population from rural to urban areas as market economies developed. In New Zealand, at least 85% of the population now live in towns and cities. The objective of this paper is to apply the methods of microeconomic analysis to explain the economic benefits of clustering in urban areas and to understand the forces that shape land development and resource allocation in urbanised areas. More generally, this improves your ability to apply microeconomic analysis. Specific, we build a working understanding of the economics of urban areas: (1) why cities exist, where they develop and why they grow; (2) how and why urban-area land develops as it does; and (3) the roles of local governments in influencing the allocation of resources in urban areas.

Prerequisites

The prerequisite for the paper is ECON201 (Microeconomics) or ECON271 (Intermediate Microeconomic Theory). You should be acquainted with the concepts and models developed in your microeconomics paper: supply-demand, elasticities, consumer/producer choice, comparative statics, and so on. We'll employ some simple algebra, but most of the analysis will be done with the aid of graphs.

Readings

Readings underpin the lectures, but the lectures are intended to complement, not completely substitute for, the assigned readings. Readings on Blackboard in an appropriately named folder under Course Documents.

Text. The readings consist mostly of scanned sections from one or the other of two textbooks: *Urban Economics and Real Estate, 2nd edition* by John McDonald and Daniel McMillen and various editions of *Urban Economics* by Arthur O'Sullivan. You will find these scans under eReserve on the course Blackboard page. Other readings include journal articles, reports from government websites and some lecture notes. Reading through the text material before class is recommended. There are useful exercises and discussion questions at the end of textbook chapters that I recommend you work through.

Lecture slides and Study Guides. These are posted under "course documents" on the Blackboard site. The study guides are intended to help organise your study and help you prepare for the internal test and final exam.

Supplementary Readings. I'll occasionally post on blackboard supplementary readings (or links to supplementary readings) from a variety of sources, including other textbooks, articles or other information (e.g., from Stats NZ) applicable to New Zealand. Do not neglect to familiarise yourself with the content of these articles.

Workload

This is an 18-point paper. The University rule of thumb is that you should plan to devote an average of 12 hours work per week to this paper for the duration of the semester.

Assessment

Assessment consists of a mid-semester test, a short analytical paper, and a final exam.

Mid-semester Test. In mid-semester, currently scheduled for week 7, the week after the mid-semester break, you will take during regular class time a 50-minute test over any material covered in the first six weeks of lectures. The aim of the test is to encourage you to keep up with the reading, to provide some insight into the kinds of questions I will ask and answers I look for in the final exam, and to provide you feedback on the success of your study efforts. The test will require you to produce an appropriate graphical model (or models) and use your modelling to investigate an issue discussed in class or in the readings.

Plussage applies to the mid-semester test because what you demonstrate you know at the end of the course is most relevant for your grade in the course. If you do better in percentage terms on the final exam than on the test, I will disregard the test grade, and the weight on the test goes onto the exam. If for any reason you cannot attend the test, plussage automatically applies. Note, however, that your performance on the mid-semester test provides critical information if you apply for special consideration due to impairment on the final exam (see below).

Analytical paper. You will write a paper of roughly 2000 words that reports your analysis of either an urban policy issue of your choice OR the growth (or decline) of an urban area of your choice (preferably a town or city with which you are familiar). The main objective is to apply economic reasoning and present that reasoning clearly in writing. You will be assessed on the quality of both the analysis (10 marks) and the write-up (10 marks). I will supply more details in a separate document. You can submit your paper at any time during the semester, but not later than the end of the last week of lectures.

Plussage does not apply to this assignment.

The Final Exam will consist of questions similar in form to those on the mid-semester test.

The test, essay, and final exam will receive the following weights:

Mid-semester test	20 marks (20% of the final mark, <u>plussage applies</u>)
Analytical paper	20 marks (20% of the final mark, plussage does <u>not</u> apply)
Final exam	60 marks (60% or 80% of the final mark)

Special consideration. If you consider your performance in the end-of-semester examination to be seriously impaired, or if you are too ill to sit the examination, you can apply for Special Consideration. Doing so requires completion of an application form available from the University Information Centre or Student Health. Applications for Special Consideration must be made within five calendar days from the date of the last examination for which the application applies and must be accompanied by supporting documentation, such as a medical certificate.

Key Dates

Friday, 3 March	Last day to add or change papers
Friday, 17 March	Last day to delete papers with full fee refund
Friday 7 to Friday 14 April	Good Friday holiday and mid-semester break
Friday, 5 May	Last day to withdraw from a paper with <i>no</i> refund
29 May to 2 June	Last week of lectures for the semester

CLASS REPRESENTATIVES

The class representative system provides students with a vehicle for communicating their views on matters associated with the teaching and delivery of their paper. It provides staff with the opportunity to communicate information to and gain constructive feedback from students. It contributes to the development of a sense of community within a Department/School/Faculty and it adds a further dimension to the range of support services that the University of Otago offers its students. The School of Business fully supports the class representative system.

Volunteers to act as class representatives for this paper will be called early in the semester. The OUSA then invites all class representatives to a training session, conducted by OUSA, about what it means to be a class rep and some of the procedures for dealing with issues that arise. They also provide information on the services that OUSA offers and the role OUSA can play in solving problems that may occur. The OUSA also provides ongoing support to class reps during the semester. School of Business staff will also meet during the semester with the class representatives for this paper to discuss general issues or matters they wish to have considered

Academic Integrity

Academic integrity means being honest in your studying and assessments. It is the basis for ethical decision-making and behaviour in an academic context. Academic integrity is informed by the values of honesty, trust, responsibility, fairness, respect and courage. Students are expected to be aware of, and act in accordance with, the University's Academic Integrity Policy.

Academic Misconduct, such as plagiarism or cheating, is a breach of Academic Integrity and is taken very seriously by the University. Types of misconduct include plagiarism, copying, unauthorised collaboration, submitting work written by someone else (**including from a file sharing website, text generation software, or purchased work**) taking unauthorised material into a test or exam, impersonation, and assisting someone else's misconduct. A more extensive list of the types of academic misconduct and associated processes and penalties is available in the University's Student Academic Misconduct Procedures.

It is your responsibility to be aware of and use acceptable academic practices when completing your assessments. To access the information in the Academic Integrity Policy and learn more, please visit the University's Academic Integrity website at www.otago.ac.nz/study/academicintegrity, or ask at the Student Learning Centre (HEDC) or the Library, or seek advice from your paper co-ordinator.

Kaiāwhina Māori | Māori Student Support - Ben Sommerville

Ben is the Kaiāwhina Māori (Māori student support) for Te Kura Pākihi | Otago Business School. He is able to answer any questions you may have about studying here at the University of Otago. He can provide information about scholarships, campus services, pastoral and financial care. Ben is also here to support those students who are studying away from their whānau, hapū and iwi, to ensure they feel safe and supported. He has a passion for the development of Rangatahi and understands the struggles that can come with academic life.

Email ben.sommerville@otago.ac.nz

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Pacific Island Support

Faleviena Faiva

Malo e lelei

Falaviena works part-time in the Dean's Office at the Otago Business School, Division of Commerce. She is of Tongan descent and is one of the Pacific Student Support Facilitator's responsible for all **first-year** Pacific students in the division.

Falaviena is a University of Otago, Humanities and Commerce graduate and is currently completing a Postgraduate Commerce degree in International Business.

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Jekope Ramala Maiono

Bula Vinaka.

Maiono also works part time in the Dean's Office at the Otago Business School, Division of Commerce. He is of Fijian descent and is the other Pacific Student Support Facilitator responsible for all **second-year** Pacific students in the division.

Maiono is a University of Otago Commerce graduate, also studying a PHD degree in the Division of Humanities.

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DISCLAIMER

While we strive for accuracy, the information in this document is subject to change. We will notify you of changes in lectures and on Blackboard. You are responsible to keep informed.

Indicative lecture schedule

Section I: Urban growth and development across the region

Introductory material

1. Course requirements, What is an urban area?
2. Measuring urban area populations
3. NZ city-size distribution

Industrial location

4. Revision: internal economies of scale
5. Basics of industrial location
6. External economies of scale

Service/retail location

7. Central place theory
8. More central place theory

Section II: Allocation of urban land across uses

Land prices and allocation across land uses

9. Ricardo model of land rent
10. Henry George and the “single” tax
11. von Thünen model of rural land use

Spatial model of urban land allocation

12. Alonso-Muth-Mills of urban land allocation
13. Revision of consumer choice model
14. AMM model with non-linear bid rents

Changes over time in urban areas

15. Multi-centric cities
16. Positive residential income gradient

Section III: Urban housing economics

Housing markets

17. Housing submarkets
18. Introduction to “hedonic” pricing
19. Estimating implicit market prices

Low-income housing policy

20. Rent control
21. Supply-side policy
22. Demand-side policy

Section IV: Local public economics

Week 10: Neighbourhood amenities (local public goods)

23. Local public goods
24. Tiebout sorting
25. Tests of Tiebout sorting

Week 11: Transportation policy

26. Highway congestion: a tragedy of the commons
27. Congestion pricing
28. Alternatives to congestion pricing

Week 12: Land-development policy

29. Growth control
30. Land-use planning/zoning theory
31. Empirical analysis of zoning

Week 13: Buffer and revision