The course is divided into three parts. The first is Urban Growth. This part of the course analyzes the economic forces that cause cities to form and grow. It explains where cities develop, why some are large and others are small, and how many cities exist in a region. The second part of the course develops the Monocentric City Model, which explains the equilibrium land rent and land-use patterns within a city. The final part of the course focuses on urban problems such as poverty, inadequate housing, transportation, and local public finance.

By the end of the course, the student should have a basic familiarity with the stylized facts of cities and urban land markets, and should understand the theoretical and empirical tools used to analyze urban land markets and public policy issues.

Prerequisite:
Econ 102 or equivalent; Econ 302 is strongly recommended.
A basic course in statistics or econometrics will be helpful in understanding the material, but is not required.

Readings:
The required text is Urban Economics and Real Estate, by John McDonald and Daniel McMillen. For those who like to see alternative treatments of a topic, Urban Economics by Arthur O'Sullivan is a good alternative. Supplemental readings will also be required. The supplemental readings will be available on compass.
Course Requirements and Grading:

Grades will be based on two mid-terms and a final. The exams will comprise short-answer essay questions and problem-solving using the tools developed in class. Exam questions are based primarily on course lectures, so regular attendance is helpful for earning a good grade. Questions tend to be extensions of the problems covered in class, with emphasis placed on diagrammatical analysis.

Grades are based on a combination of an absolute scale and a curve. Except in situations of poor attendance, questions of academic integrity, and other unusual circumstances, the following is the strictest grading scale that will be applied:

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Percentage of Total Possible Points</th>
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<tbody>
<tr>
<td>A</td>
<td>[85% - 100%]</td>
</tr>
<tr>
<td>B</td>
<td>[75% - 85%)</td>
</tr>
<tr>
<td>C</td>
<td>[65% - 75%)</td>
</tr>
<tr>
<td>D</td>
<td>[55% - 65%)</td>
</tr>
</tbody>
</table>

The requirements for a letter grade may be lowered based on the distribution of scores at the end of the semester. Any change in the curve will be applied equally to all students. Plus or minus grades are reserved for point totals falling near natural breaks in the point distribution. Attendance plays a major role in determining plus or minus grades.

Exams:

Midterm 1 (30%): 11:00-12:20, Wednesday, February 24
Midterm 2 (30%): 11:00-12:20, Wednesday, April 7
Final (35%): 7:00-9:00 pm, Monday, May 10
Quizzes (5%): Unannounced

These are the only time and dates when the exams may be taken. Please see me well in advance of the exam if university athletic events, etc., require you to be away during an exam. There are no circumstances under which you will be permitted to make up a missed exam unless (1) I have approved the absence prior to the exam or (2) you have contacted me prior to the exam to let me know of an emergency. An emergency illness, etc., must be verified in writing by the Emergency Dean or the missed exam will result in a grade of zero.

In addition, several unannounced quizzes will be held over the course of the semester. Quizzes will begin promptly at 11:00; anyone who is not there at 11:00 will not be able to take the quiz. The quizzes will be graded on a simple pass/fail basis. No opportunity will be provided to make up for missed quizzes.

Academic Integrity: Violations of academic integrity as given in the Code of Policies and Regulations will be taken extremely seriously, and students found cheating in the course (or helping others to cheat) will be penalized according to the Code’s guidelines.
Tentative Course Outline

Week 1. Jan. 20. Why do Cities Exist?

   McDonald and McMillen, Chapter 3 (especially Section D)


Week 2. Jan. 25, 27. Firm Location, Central Place Theory

   McDonald and McMillen, Chapters 3 and 4


Week 3. Feb. 1, 3. Land Rent

   McDonald and McMillen, Chapter 5

   Bertaud, Alain, “The Spatial Organization of Cities: Deliberate Outcome or Unforeseen Consequence,” available at www.alain-bertaud.com

Week 4. Feb. 8, 10. Monocentric City Model – Theory

   McDonald and McMillen, Chapters 5 and 6


Week 5. Feb. 15, 17. Monocentric City Model – Theory

   McDonald and McMillen, Chapter 6


Week 6. Feb. 22: Review for Exam

   **Feb. 24: Midterm Exam 1**
Week 7. March 1, 3. Monocentric City Model – Empirics

McDonald and McMillen, Chapter 7


Week 8. March 8, 10. Housing in Urban Areas

McDonald and McMillen, Chapter 8

http://gatton.uky.edu/faculty/blomquist/QOLcompanion110604.pdf

Week 9. March 15, 17. Housing Policy

McDonald and McMillen, Chapter 9


Week 10. March 29, 31. Zoning


Week 11. April 5: Review for Exam

April 7: Midterm Exam 2
Week 12. April 12, 14. Local Government

McDonald and McMillen, Chapter 13


Week 13. April 19, 21. The Property Tax

McDonald and McMillen, Chapter 13


Week 14. April 26, 28. Transportation

McDonald and McMillen, Chapter 14


Week 15. May 3, 5. Poverty in Urban Areas

McDonald and McMillen, Chapters 15&16


Final. Monday, May 10, 7:00-9:00 pm