Economics offers us powerful theories about how actors – such as workers, households, firms, and public institutions – behave and make decisions in a world of unlimited wants but finite resources. At a societal level, we look to economics to help us understand how resources can be allocated in a manner that is most efficient, but at the same time how to understand and address inequalities generated by markets. And within the urban context, we look to economics to help us analyze patterns of human settlement and the built environment over time and across space. Certainly, economics does not tell all – politics, culture, custom and even historical accident each play a role – but it tells us a lot.

In the United States and most advanced capitalist nations, decisions about resource allocation generally occur within markets, and not the realm of planners or agency bureaucrats. Yet as planners we start from the assumption that some (greater or lesser) public intervention in markets is necessary – and indeed desirable – to yield communities with safe, uncongested streets, robust natural areas, vital commercial districts, and broad-based economic opportunity. Both proponents (and often, opponents) of planning interventions will invariably resort to “economic thinking” as a way to analyze problems, and argue for proposed solutions. As future planners, it is imperative that you familiarize yourself with economic theory and concepts, and learn how to deploy them effectively in your own analyses and prescriptions, and to critique those of others.

Specifically, the learning goals for you in this course are as follows:

- To understand and analyze forms of market failure, which serve as an important basis for urban planning and policy interventions;
- To learn concepts and methods for analyzing the efficiency and equity impacts of planning and policy interventions in markets;
- To learn about the market and institutional forces underpinning urban development processes and outcomes in the U.S. and elsewhere; and
- To learn about the market and institutional forces that yield disparities and inequities by race and class in the urban environment.
COURSE FORMAT

The course will be divided into two main segments. The first segment will be a brief review of microeconomic theory. The purpose of this segment is not to serve as an introduction to microeconomics (hopefully you have had that already), but rather to reprise key concepts of economic analysis, talk about problems of market failure, and introduce you to tools of policy analysis.

The second segment of the course, comprising the final six weeks, will introduce basic theories and concepts of urban economics and urban spatial structure. This segment will proceed thematically, discussing topics like economic base theory, urban land market and bid-rent theory, and the economics of transportation, housing, and local government. All of these topics are dealt with in greater depth in subsequent courses within the program, but the goal in this segment is to provide you with a broad foundation for analyzing cities and the urban environment.

The course will integrate both lecture and active learning components, with the latter designed to stimulate broad participation and application of theoretical material. You are expected to read and/or review materials as assigned, and come to class prepared to discuss them.

TEXTS

There is one recommended text for this course:

- **Urban Economics by Arthur O'Sullivan**, which we will utilize beginning in week 5. The most recent edition is the 8th edition (2012, McGraw-Hill); however, you may opt instead for the 7th edition (2009) or 6th edition (2006), which can be obtained quite affordably through a variety of online outlets such as Amazon.com, Abebooks.com, Alibris.com or Powells.com.

For the first portion of the course, there are no required texts. However, the lectures will draw upon microeconomic concepts that are covered in a variety of basic economic texts and websites. If you do not own one from your previous microeconomics coursework, you may also want to obtain a text such as N. Gregory Mankiw’s **Principles of Economics**, or Paul Krugman and Robin Wells’ **Microeconomics**; I will put copies of both on 2-hour reserve at the PSU Library. For a somewhat more advanced treatment, I will make Joseph E. Stiglitz’s text **Economics of the Public Sector** (2000, 3rd ed., Norton) available on reserve at PSU Library. A list of key concepts to be discussed in each class will be posted on the D2L site.

In addition to these texts, there will be supplemental readings made available through the course’s Desire2Learn site (http://d2l.pdx.edu). Several of these readings will be from databases licensed by the PSU Library, and if you are accessing them from off-campus you will need your Odin account name and password to retrieve them.
ASSIGNMENTS AND GRADING

Your grade for the course will be based upon six components. Further details and guidance about each assignment will be provided in class and on D2L.

**Assignment 1 (10%): Policy Analysis Memo.** For this assignment, you will prepare and present a brief (1000-1500 word) professional-style group memorandum in which you will take a planning issue and assess the case for public intervention, alternative approaches to address the problem, and analyze the efficiency and equity of those approaches.

*Due: Wednesday, October 18th, 1pm, to be submitted via D2L.*

**Assignment 2 (20%): Urban Density Analysis.** For a major metropolitan region (other than Portland) of your choosing, you will analyze tract-level changes in population density from 1970, 1990 and 2010, using data from the U.S. Census Bureau.

*Due: Monday, November 6th, 1pm, via D2L.*

**Assignment 3 (20%): Urban Inequality Analysis.** For the same chosen metropolitan region, you will analyze trends in poverty and racial segregation between 1990 and 2010, using Census data.

*Due: Wednesday, November 29th, 1pm, via D2L.*

**Urbanization in Global Perspective (10%).** Once during the term, you will find a media report or case study pertaining to urban development outside the United States and post a brief (300-500 word) summary on the D2L site about it. In addition, you will give a very brief (60-90 second) “report out” in class that week. And finally, you will be responsible for responding to two posts from other students during the term.

*Due: Variable, posts generally due on Wednesdays from weeks 5-10. Responses due by Wed 11/29.*

**Final Exam (30%):** There will be a final examination for the course, to be held on **Wednesday, December 6th from 12:30-2:20pm** (university-assigned time slot). The exam will be cumulative in nature, covering both segments of the course, and will consist of a series of short-answer questions.

**Class Participation (10%):** Finally, you will be graded based upon the quality (and not necessarily the quantity) of your participation in classroom discussion. I define “quality participation” in terms of participation that is thoughtful, promotes learning and further participation on the part of others. This may include participation in online discussions, above and beyond the media analysis assignment. Comments that are disrespectful to others, excessively and persistently off-topic, or otherwise inappropriate or disruptive will be detrimental to your participation grade. Attendance will not be graded directly; however, excessive lateness or other activities and behaviors that disrupt the classroom environment (e.g., inappropriate use of technology) will be penalized.

**Optional Weekly Exercises:** Each week, I will post to D2L a set of exercises that are designed to reinforce the material discussed in class that week. These exercises are *entirely optional but highly recommended,* and I will not be grading them. Instead, at the
end of each week I will post an answer key. The purpose of the exercises is to allow you to apply the concepts in a manner that will allow you to prepare for the final exam.

LATE SUBMISSION POLICY: Late submissions for assignments 1 through 3 will be accepted with a 1 percent per hour penalty (based on 100-point scale), with a maximum penalty of 50 points (i.e., half the assignment’s value). Students may request additional time without penalty to complete assignments, as long as the request is submitted at least 24 hours ahead of the deadline and accompanied by a reasonable justification (to be determined by the instructor). A good rule of thumb is: if the reason could not have anticipated in advance, then it is generally reasonable. Deadlines in other classes or at work generally do not meet this criterion. You will be given at least 2 weeks (usually more) to complete each assignment so plan ahead!

DISABILITY ACCOMMODATIONS: If you have a verified disability and are in need of academic accommodations, please let me know and I will work with you to arrange appropriate supports through the Disability Resource Center.

ACADEMIC DISHONESTY: It should go without saying that plagiarism and cheating will not be tolerated, but I will say it anyway. “Academic dishonesty,” according to Section 577-031-0136 of the PSU Student Code of Conduct, refers to as “the act of knowingly or intentionally seeking to claim credit for the work or effort of another person or participation in such acts.” [http://www.pdx.edu/dos/codeofconduct] This encompasses both egregious acts of cheating like copying the answer to someone else’s exam, but also more mundane acts like lifting reference material from websites without attribution. Per university policy, instances of academic dishonesty may result in a zero grade for those assignment(s).

SAFE AND INCLUSIVE LEARNING ENVIRONMENT: As an instructor, one of my responsibilities is to help create a safe and inclusive learning environment for my students and for the campus as a whole. We expect a culture of professionalism and mutual respect in our department and class. You may report any incident of discrimination or discriminatory harassment, including sexual harassment, to either the Office of Equity and Compliance or the Office of the Dean of Student Life.

Please be aware that as a faculty member, I have the responsibility to report any instances of sexual harassment, sexual violence and/or other forms of prohibited discrimination. If you would rather share information about sexual harassment or sexual violence to a confidential employee who does not have this reporting responsibility, you can find a list of those individuals. For more information about Title IX, please complete the required student module Creating a Safe Campus in your D2L.
COURSE OUTLINE

Week 1 (Sept 25/27): Planning versus markets?

Sept 25: We will begin by discussing the often-tense relationship between planning and economics (and between planners and economists!). What role should planning play in a market-based economy? Should planners think more like economists? (Or should economists think more like planners?)

Readings:

Sept 27: How markets work (part 1)
We begin our brief section on microeconomics by reviewing foundational economic concepts of supply, demand, elasticity, and equilibrium analysis.

Readings: There are no assigned readings for this session, but you may want to go back and review the core chapters from any standard micro text. On D2L there will be a “correspondence chart” of chapters that you might consider reviewing for the sessions in Weeks 1-3.

Week 2 (Oct 2/4): How markets work, how markets fail

Oct 2: How markets work (part 2)
We will continue the discussion of microeconomics by taking on the concept of “efficiency,” which is central to how economic analysis gauges the allocation of scarce resources in society. What are the various meanings of efficiency, and what are the problems with the concept? How should planners weigh efficiency against other goals such as equity?

Oct 4: How markets fail (part 1)
Just as important – and perhaps more so, to urban planners – as knowing how markets work is to understand why and how they fail. In this first of two sessions on market failure we will focus primarily on the concept of “public goods” and how they are distinguished from other types of goods in a market economy (including those that are often publicly provided, such as education).

Week 3 (Oct 9/11): How markets work, how markets fail (cont.)

Oct 9: How markets fail (part 2)
In this second session on market failure we will focus on the problem of “externalities,” or economic actions that have spillover effects – both positive and negative – on others but are not reflected in the incentives facing those actors. The classic example of this is pollution and environmental degradation, but the concept applies to a whole host of planning-related issues such as affordable housing. As such, we will debate the pros and cons of regulation- versus market-
based approaches to deal with externalities.

**Reading:** Davidson, "A Tax on Annoying Behavior?" (D2L)

**Oct 11: Cost-Benefit Analysis**

One widely used approach to policy analysis is to systematically estimate the projected benefits that will accrue over time from a project and compare them to the projected costs. While learning to do cost-benefit analysis well could be a class unto itself, in this session we will work through some examples of cost-benefit analysis in a planning context, using them to illustrate the merits and limitations of this approach and help you become a better consumer.

**Readings:** Gupta, “Choosing the Best Alternative: Cost-Benefit Analysis” (D2L)

“Cost Benefit Evaluation of Ecoroofs” (D2L)

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**Week 4 (Oct 16/18): Analyzing Policy Interventions (cont.)**

**Oct 16: Equity analysis**

Understanding and analyzing the distributional – i.e., social and racial equity – impacts of planning and policy interventions is an essential task for a planner. In this session we will discuss different ways and tools for approaching equity analysis, and work through an example as a class.

**Readings:** "Racial Equity Strategy Guide” (D2L)

“Portland/Multnomah County Climate Action Plan Equity Scan” (D2L)

*Guest: Ryan Curren, City of Portland Bureau of Planning and Sustainability*

**Oct 18: Class Presentations of Policy Memos**

**OCTOBER 18th: ASSIGNMENT 1 DUE (1pm, submit via D2L)**

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**Week 5 (Oct 23/25): Basics of Urban and Regional Economics**

We begin the urban portion of the course by reviewing how economists and geographers have applied economic principles to understand the growth (and occasional decline) of cities and urban regions. These include micro-level explanations for the location of firms, industries and human migration to cities, systems-level theories of urban hierarchy within and across cities, and macro-level theories of the economic base.

**Readings:**

O’Sullivan, *Urban Economics*, Ch. 2-5 (pp. 17-124)


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**Week 6 (Oct 30/Nov 1): Urban Land Markets**

The forces shaping the allocation of land within urban areas are central to many of the policy tools that planners rely upon, such as zoning. In this week we will introduce theories of urban land markets, most notably bid-rent theory, that offer powerful predictions for how different types of land uses (e.g., commercial, industrial, residential) will locate themselves within an urban area. We will discuss how planning tools like zoning affect the efficiency of land market outcomes, as well as their relationship to other planning goals like equity, environment and aesthetics.
Readings:
O'Sullivan, Ch. 6-7, 9 (pp. 128-201, 230-254)


**Week 7 (Nov 6/8): Urban Transportation**

Transportation systems, including roads, transit and bicycle and pedestrian paths, are both a staple of urban planning practice and a key to understanding the spatial dynamics of cities and urban regions. In this week we will discuss the economics of urban transportation, including how transportation systems and changes in transportation technology influence urban form, how planning can address externalities like traffic congestion posed by automobile use, and the economic merits of public investments in mass transit systems like light rail, streetcar and bus networks.

Readings:
O'Sullivan, Ch. 10-11 (pp. 257-314)


Optional:

**NOVEMBER 6th: ASSIGNMENT 2 DUE (1pm, D2L)**

**Week 8 (Nov 13/15): Housing**

In economic terms, housing represents a different type of good than many others, due to its relative cost and lack of standardization. But housing is more than just a private market good; it influences – and is influenced by – the socio-economic conditions of the community in which it is located; is sensitive to changing urban geographies of transportation and employment, and public policies like local taxation and education; and, not inconsequentially, materially affects the life chances of individuals. In this week we delve into the economics of housing markets, discussing how public policy and urban planning influence those markets in ways good and not-as-good from both an efficiency and equity perspective. We will also examine the phenomenon of gentrification from an economic perspective.

Readings:
O'Sullivan, Ch. 8, 14-15 (pp. 202-229, 365-408)


Planning and Sustainability.

Optional:


Week 9 (Nov 20): Local Government

Economists, most notably Charles Tiebout, have argued that metropolitan regions offer households and businesses a “market for local government” that allows for efficient matching of consumer preferences and public goods provision. Others question the desirability of such a market, noting the tendency toward balkanization and stratification among jurisdictions within urban regions and the pervasive nature of externalities in local goods provision. In this session we take up the issue of local government and its role in shaping the spatial dynamics of urban growth and change.

Readings:

O’Sullivan, Ch. 16-17 (pp. 411-454)


Optional:


11/22 - NO CLASS (Thanksgiving Holiday)

Week 10 (Nov 27/29): Wrap-Up

Nov 27: Topic TBD.

Nov 29: Wrap-Up Session.

NOVEMBER 29TH: ASSIGNMENT 3 DUE (1pm, submit via D2L)