COURSE OVERVIEW

Cities are the “engines of growth” because creative and innovative activities are concentrated in cities. Cities are also where most problems of the modern society such as poverty, pollution, congestion, crime, and housing shortage are found. This course takes an economic approach to understanding urban problems and planning issues. We learn and use economic theories and models to understand how cities and regions function, to analyze urban problems, and to evaluate urban policies.

UP509 is designed to provide students with working knowledge and tools in microeconomics, public sector economics, and urban economics that are applicable to many urban problems and planning issues. Among the topics to be covered are:

1. Review of tools in intermediate microeconomics
2. Market failures and rationales for planning
3. Cost-benefit analysis
4. Agglomeration economies and urban growth
5. Economics of urban spatial structure and sprawl
6. Economics of land use regulation
7. Economics of traffic congestion
8. Public choice and local governments
9. Economics of housing subsidies
10. Economics of pollution & greenhouse gas emissions

TEXTBOOK


Additional reading materials (journal and magazine articles) or the links to them will be posted on the Illinois Compass course webpage ([http://compass2g.illinois.edu](http://compass2g.illinois.edu)). Students should read required reading assignments before coming to class and active participation in class discussions will be credited in the final grade.

All the lecture notes will also be posted on the course webpage, which will reduce the time needed for note taking in class. Check the website frequently for lecture notes, assignments and other materials.
EVALUATION

<table>
<thead>
<tr>
<th></th>
<th>Exam 1</th>
<th>20 %</th>
<th>Exam 2</th>
<th>25 %</th>
<th>Assignments</th>
<th>20 %</th>
<th>Policy memo (or Research paper)</th>
<th>25 %</th>
<th>Class Participation</th>
<th>10 %</th>
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Random attendance checks will be taken. Poor attendance will not result in automatic failure, but 1 point per each absence will be deducted from your final grade.

Two small homework assignments and one policy memo (or research paper) will be given. Detailed guidelines for assignments and policy memo will follow.

POLICIES

EXAMS: Exams are not cumulative. An alternate exam time for the final exam can be set for students with a legitimate conflict if a request is made by November 20th.

LATE ASSIGNMENTS: Late submission of assignments or memo will be penalized by 20% per day.

SPECIAL ACCOMMODATIONS This course will accommodate students with documented disabilities. Please refer to http://disability.illinois.edu/disability-resource-guide for more information and provide the appropriate documentation at the beginning of the semester.

ACADEMIC INTEGRITY This course follows the guidelines set forth by the University student code. See http://studentcode.illinois.edu/article1_part4_1-401.html for specific guidelines, examples, and punishment associated with academic dishonesty.

CLASS CLIMATE The Department of Urban and Regional Planning (DURP) is committed to creating an environment of inclusion and opportunity that is rooted in the very goals and responsibilities of practicing planners. Conduct that interferes with the rights of another or creates an atmosphere of intimidation or disrespect is inconsistent with the environment of learning and cooperation that the program requires. By enrolling a course in the Department of Urban and Regional Planning, students agree to be responsible for maintaining a respectful environment in all DURP activities, including lectures, discussions, labs, projects, and extracurricular programs. We will be governed by the University Student Code. See Student Code Article 1—Student Rights and Responsibilities, Part 1. Student Rights: §1-102 In the Classroom.

LAPTOP and CELL PHONE USE Laptop computers should be used only for note taking. No web surfing! No texting! These may affect your class participation grade.

EMERGENCY RESPONSE RECOMMENDATIONS The Department of Homeland Security and the University of Illinois at Urbana-Champaign Office of Campus Emergency Planning recommend the following three responses to any emergency on campus: RUN > HIDE > FIGHT

For more information, http://police.illinois.edu/emergencypreparedness/general/
COUNSELING CENTER  The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. The Counseling Center provides individual, couples, and group counseling. All of these services are paid for through the health services fee. The Counseling Center offers primarily short-term counseling, but they do also provide referrals to the community when students could benefit from longer term services.  
https://counselingcenter.illinois.edu/

COURSE SCHEDULE  * indicates optional readings.

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug 28</td>
<td><strong>Introduction and Course Overview</strong></td>
<td>Syllabus. Why do planners study economics?</td>
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<tr>
<td></td>
<td>Aug 30</td>
<td><strong>Tools of Microeconomics 1: Market and Price</strong></td>
<td>The basics of supply and demand, the market mechanism, elasticities</td>
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<td></td>
<td>O’Sullivan (2009) Appendix 1. Marginal decision making &amp; 2. Product market</td>
<td>Steinemann et al. (2005) Ch. 2 &amp; Ch. 3 or Corresponding chapters of your own microeconomics text</td>
</tr>
<tr>
<td>2</td>
<td>Sep 4</td>
<td><strong>Tools of Microeconomics 2: Demand Theory</strong></td>
<td>Consumer choice, indifference curve, individual and market demand curves</td>
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<td></td>
<td>Sep 6</td>
<td><strong>Tools of Microeconomics 3: Supply Theory</strong></td>
<td>Production and costs, economies and diseconomies of scale, average and marginal cost, supply curve</td>
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<td>O’Sullivan (2009) Appendix 5. Input choice</td>
<td>Steinemann et al. (2005) Ch. 5 or Corresponding chapters of your own microeconomics text</td>
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<tr>
<td>3</td>
<td>Sep 11</td>
<td><strong>Tools of Microeconomics 4: Competition, Efficiency, and Welfare</strong></td>
<td>Analysis of competitive markets, consumer and supply surplus, efficiency, welfare</td>
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<td>Steinemann et al. (2005) Ch. 6 &amp; Ch. 7 or Corresponding chapters of your own microeconomics text</td>
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<td></td>
<td>Sep 13</td>
<td><strong>Market Failures 1: Externalities</strong></td>
<td>Externalities and inefficiency, correcting externalities</td>
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<td></td>
<td></td>
<td>O’Sullivan (2009) Ch. 1 Axiom 3</td>
<td>Steinemann et al. (2005) Ch. 9 or Corresponding chapters of your own microeconomics text</td>
</tr>
<tr>
<td>4</td>
<td>Sep 18</td>
<td><strong>Market Failures 2: Public Goods</strong></td>
<td>Types of public goods, demand for public goods, public goods provision</td>
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</tbody>
</table>
|       |        | Steinemann et al. (2005) Ch. 10                                        | Term paper abstract due
Market Failures 3: Other Market Failures and Rationales for Planning
Natural monopoly
Steinemann et al. (2005) Ch. 8

Cost-Benefit Analysis 1: Tools of Cost-Benefit Analysis (2 sessions)
Time value of money, NPV, B/C ratio, IRR
Steinemann et al. (2005) Ch. 12, Ch. 13, and Ch. 14

Cost-Benefit Analysis 2: Contingent Valuation (2 sessions)
Contingent valuation, case studies of cost-benefit analysis

EXAM 1 (In class)

LAB: Regression Analysis in Excel
Students are required to bring a laptop computer with Microsoft-Excel installed.

Definition of and Rationales for Cities
Definition of cities. Why do cities exist?
O’Sullivan Ch. 2 & 3

Agglomeration Economies and Clusters
Urbanization & localization economies, technological development and cities
O’Sullivan Ch. 3
### Week 9

**Oct 23**

**Assignment #2 due**

**Urban and Regional Growth**

Urban growth theories, costs and benefits of growth  
O’Sullivan Ch. 4 and Ch. 5  

**Oct 25**

No class due to the ACSP Conference

### Week 10

**Oct 30**

**Progress report due**

**Economics of Urban Spatial Structure (2 sessions)**

O’Sullivan Ch. 6 and Ch. 7  

Nov 1  
O’Sullivan Ch. 7  

### Week 11

**Nov 6**

**Public Choice and Local Government (2 sessions)**

O’Sullivan Ch. 8, Ch. 15, and Ch. 16  

### Week 12

**Nov 13**

**Economics of Urban Sprawl and Land Use Control (2 sessions)**

O’Sullivan Ch. 7 and Ch. 9  

**Nov 20**

Happy Thanksgiving!

**Nov 22**
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
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<tr>
<td></td>
<td>Dec 6</td>
<td><em>Term paper due</em></td>
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<td></td>
<td>Dec 15</td>
<td>EXAM 2</td>
<td>Saturday (9:00-10:50am)</td>
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* indicates optional readings.