I. Course objectives

The main objective of this course is to understand the economic principles that underlie the inter and intra urban organization of economic activity, to understand the reasons for why cities exist and their growth and decline and to understand the economic rationale for and consequences of intervention in land and housing markets and urban areas.

The course starts by introducing the use of the economic theory to examine problems of intra-urban residential location, determination of bid-rent curves, urban growth, optimal city size, transport economics and environmental problems in cities. Next, we will analyse the economic explanation of economic agglomerations and we will discuss the positive and negative aspects related to the existence of cities, through the exploration of a series of specific problems. Moreover, in this course we will try to understand the economics of government intervention in land markets, market failure and market imperfections and to develop an understanding of the means through which governments intervene in those markets (and their main economic rationale and consequences);
II. Structure

1. Spatial Structure of Urban Economics
   1.1 Von Thunen’s model
   1.2 The Bid-Rent model for firms: the production sector
   1.3 The Bid-Rent model for households: the consumer model
   1.4 Alternative explanations for the convexity between prices and distance
   1.5 Critiques to the models of Urban Economics

2. Residential Location Theory
   2.1 Testing the Neoclassical Model:
      2.1.1 Assumptions of the Neoclassical model
      2.1.2 Traditional Defense of the Neoclassical Model
      2.1.3 Empirical Evidence
   2.2 Criticism and the Marxist Explanation
      2.2.1 The Orthodox Criticism
      2.2.2 Edel’s Critique
      2.2.3 The Marxist View: The work of David Harvey

3. Theories of the Determination of the Price and Supply of Land
   3.1 Land Ownership and Occupation
   3.2 Some Critiques

4. Optimal City Size
   4.1 Why do Cities Exit?
   4.2 Limits to City Size
   4.3 Market Tests of City Size

5. The Distribution of City Sizes
   5.1 “Central Place Models” and “Rank Size Rule”
   5.2 Evans’s Theory of Clubs Explanation of the Urban Hierarchy
   5.3 Stochastic Models

6. Models of Urban Growth
   6.1 Virtuous and Vicious Circles
   6.2 Baumol’s Blight Model

7. Increasing Returns and Externalities
   7.1 Role of Increasing Returns
   7.2 Increasing Returns and Agglomeration Economies
   7.3 Externalities: Marshall and Jacobs
   7.4 Modelling Cities and Agglomerations
8. **Spatial Location: “New Economic Geography” and Others**
   8.1 Krugman’s Model: New Economic Geography
   8.2 Policy Implications
   8.3 Policy Instruments: Innovation and Spillovers

9. **Introduction to Transport Economics**
   9.1 The Demand for Transportation
   9.2 Rationale of Road Pricing
   9.3 Congestion, Accidents and Noise and Atmospheric Pollution as Externalities
   9.4 Methods of Road Pricing

10. **Environmental Problems in Latin American Cities**
    10.1 Who Bears the Environmental Costs in Cities?
    10.2 Sustainable Development and Cities

11. **Education and Crime**
    11.1 Education and Cities
    11.2 Crime, Welfare and Cities

### III. Bibliography

*Means Core reading

1) **Spatial Structure of the Urban Economy**

2) **Residential Location Theory**
3) **Theories of the Determination of the Price and Supply of Land**

4) **Optimal City Size**
   - *McCann, Ph. (2006), Urban and Regional Economics, Chapter 2: “The Spatial Distribution of Activities”

5) **The Distribution of City Sizes**
   Same Bibliography as for previous section

6) **Models of Urban Growth**
   - *Richardson, H.W. (1978), Chapter 4: “Urban Growth” (Baumol’s Disease)

7) **Increasing Returns and Externalities**

8) **Spatial Location: “New Economic Geography” and Others**
9) **Introduction to Transport Economics**


10) **Environmental Problems in Latin American Cities**


- *O’Flaherty, City Economics, Chapter 9: “Water, Sewers, Fire, and Garbage”*  

For Chapter 3 see:

[http://books.google.co.uk/books?hl=es&lr=&id=u2GuY9fr9LgC&oi=fnd&pg=PR3&dq=Environmental+Problems+in+an+Urbanizing+World:+Finding+Solutions+in+Africa,+Asia+and+Latin+America&ots=vat7UIETHC&sig=Lr8ATMjBnXmc_uzm4S0RVElat-A#v=onepage&q&f=false](http://books.google.co.uk/books?hl=es&lr=&id=u2GuY9fr9LgC&oi=fnd&pg=PR3&dq=Environmental+Problems+in+an+Urbanizing+World:+Finding+Solutions+in+Africa,+Asia+and+Latin+America&ots=vat7UIETHC&sig=Lr8ATMjBnXmc_uzm4S0RVElat-A#v=onepage&q&f=false)

The rest of the book in: 4shared.com

11) **Education and Crime**

IV. Evaluations and Exam

It will be assessed with short tests, to evaluate reading material, and a comprehensive test during the first and final examination period.

- Reading Comprehension Tests: during class (first or last 30 minutes of the lecture). Bibliography will be given to the students during the week before the test.
- Midterm Test: It will include all the subjects covered so far.
- Students’ presentations of a research work (TOR TBA).
- Exam: It will include all the subjects covered during the term.