

NOHAD A. TOULAN SCHOOL OF URBAN STUDIES & PLANNING
PORTLAND STATE UNIVERSITY

Economic Applications for Urban Studies & Planning (USP 515)

Fall 2024

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Class Time: 2:00-3:50pm, Tuesday and Thursday, CH 150

Office Hours: 4-5pm T/Th, self-schedule at <https://calendar.app.google/UHRvZPrNjfCnzUfe8> ;
other times by appointment

Recitation session: 11:00am-noon Fridays, online via Zoom

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.

LEARNING OBJECTIVES

The learning objectives for you in this course are as follows:

1. To learn and apply economic concepts of market function and market failure, which serve as an important basis for urban planning and policy interventions;
2. To learn and apply concepts and methods for analyzing the efficiency and equity impacts of planning and policy interventions in markets;
3. To learn and apply models and concepts to assess the market and institutional forces that underpin urban development processes and outcomes in the U.S. and elsewhere; and

4. To learn and apply models and concepts to assess the market and institutional forces that yield disparities and inequities, especially by race and class, in the urban environment.

As a core course in the MURP program, the class articulates directly to the following [Student Learning Outcomes](#) that have been established for the program:

1. MURP students will apply knowledge and skills to create more equitable and just communities and planning outcomes.
2. MURP students will apply knowledge and skills to create more sustainable communities and planning outcomes.
5. MURP students will assess forces impacting human settlements and interconnections among systems.
7. MURP students will design planning processes, make plans, and create strategies for plan implementation.
8. MURP students will collect and analyze information relevant to plan making.
9. MURP students will communicate plans and planning knowledge effectively and persuasively.

As a result, de-identified student work will be used by the MURP Executive Committee to assess progress in student learning related to those outcomes. This is not about assessing individual students, but rather to assure overall programmatic effectiveness in student learning.

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, local government, and the environment. Almost 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.

Remote learning disclaimer: We will use technology for recording of lectures in this course. Our use of such technology is governed by FERPA, the Acceptable Use Policy and PSU's Student Code of Conduct. A record of all meetings and recordings is kept and stored by PSU, in accordance with the Acceptable Use Policy and FERPA. Your instructor will not share recordings of your class activities

outside of course participants, which include your fellow students, any guest faculty or community-based learning partners that we may engage with. You may not share recordings (including captured screen shots) outside of this course. Doing so may result in disciplinary action.

TEXTS

There is one text for this course:

- ***The Divided City: Poverty and Prosperity in Urban America* by Alan Mallach** (2018, Island Press). We will read several chapters out of this text and therefore required; I expect you to obtain it by week 5.

***Urban Economics* by Arthur O'Sullivan** is recommended as a reference but optional; we will begin to cover the related material in week 5. The most recent edition is the 9th edition (2018, McGraw-Hill); however, you may opt instead for the 8th edition (2012), 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. I will post a list of key economic concepts to be discussed in each class to the Canvas site, along with links to online resources, such as open textbooks.

In addition to these texts, there will be supplemental readings made available through the course's Canvas site (<http://canvas.pdx.edu>).

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 Canvas.

Assignment 1 (10%): Policy Analysis Memo. For this assignment, you will prepare and present in-class a brief, 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: Thursday, October 24th, 12pm, to be submitted via Canvas.

Assignment 2 (15%): Urban Density Analysis. For a major metropolitan region (other than Portland) of your choosing, you will analyze tract-level changes in population density from 1980, 2000 and 2020, using data from the U.S. Census Bureau.

Due: Friday, November 15th, 11:59pm, via Canvas.

Assignment 3 (20%): Urban Inequality Analysis. For the same chosen metropolitan region, you will analyze trends in poverty, household income, racial segregation and environmental injustice between 2000 and today, using Census data.

Due: Friday, December 6th, 11:59pm, via Canvas.

Urbanization in Global Perspective (5%). Once during the term, you will find a media report or case study pertaining to urban development outside of North America and post a brief (300-500 word) summary on the Canvas site about it. In addition, you will give a very brief (90 second) “report out” in class that week.

Due: Variable, posts generally due on Thursdays from weeks 5-10.

Quizzes (20%). There will be five online quizzes throughout the term, two during the first section and three during the second section of the class. Each quiz will be multiple-choice and contain 20 questions. The four highest scores will be counted and an average taken. An option will be given for “replacing” up to two quiz scores by submitting written responses. See Canvas for further information.

Final Exam (30%). There will be a final examination for the course, to be held during the exam week (of December 9). The exam will be cumulative in nature, covering both segments of the course. Details about the exam format will be provided later in the term.

Optional Exercise Sets: I will post to Canvas sets of exercises that are designed to reinforce the material discussed in class that week. These exercises are entirely optional but 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!

ACCESS AND INCLUSION FOR STUDENTS WITH DISABILITIES: PSU values diversity and inclusion; we are committed to fostering mutual respect and full participation for all students. My goal is to create a learning environment that is equitable, useable, inclusive, and welcoming. If any aspects of instruction or course design result in barriers to your inclusion or learning, please notify me. The Disability Resource Center (DRC) [<https://www.pdx.edu/drc>] provides reasonable accommodations for students who encounter barriers in the learning environment. If you have, or think you may have, a disability that may affect your work in this class and feel you need accommodations, contact the Disability Resource Center to schedule an appointment and initiate a conversation about reasonable accommodations. If you already have accommodations, please contact me to make sure that I have received a faculty notification letter and discuss your accommodations.

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 the [PSU Student Code of Conduct and Responsibility](#), refers to:

actual or attempted, fraud, deceit, unauthorized use of materials prohibited or inappropriate in the context of the academic assignment, or any act that aims to achieve an unfair academic advantage. Unless otherwise specified by the faculty member, all submissions, whether in draft or final form, must either be the Student’s own work, or must clearly acknowledge the source(s).

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. *This also includes the use of “generative AI” (ie. ChatGPT) without documentation on the student’s part.* Per university policy, instances of academic dishonesty may result in a zero grade for those assignment(s). Regardless of how the issue is resolved, any incident of academic dishonesty will be reported to the TSUSP School Director, MURP Program Director, and if necessary, CUPA Associate Dean; students committing repeated acts of academic dishonesty may be subject to sanctions within their respective academic programs.

SAFE AND INCLUSIVE LEARNING ENVIRONMENT: PSU is committed to providing an environment free of all forms of prohibited discrimination and sexual harassment (sexual assault, domestic and dating violence, and gender or sex-based harassment and stalking). If you have experienced any form of gender or sex-based discrimination or sexual harassment, know that help and support are available. 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. This means that if you tell me about a situation of sexual harassment or sexual violence that may have violated university policy or student code of conduct, I have to share the information with my supervisor, the University’s Title IX Coordinator or the Office of the Dean of Student Life. However, the Title IX Coordinators will keep the information confidential and refer you to a confidential advocate.

If you are concerned about things happening in the classroom environment – something I or a fellow student are saying or doing – then you can send feedback via [this form that specific to me and my classes](#) or [this form that is for the Toulon School overall](#). (Both will be linked on the Canvas site.) The forms have the option for anonymous submission, but if you want me to follow up with you, then obviously I will need your name. You can see a list of additional resources on the [TSUSP Resources and Reporting page](#).

COURSE OUTLINE

*Note: **Assigned readings subject to change; check Canvas for updates.** * denotes readings that are optional but recommended. A detailed crosswalk between topics and class dates is provided at the end of the syllabus.*

Intro: Planning versus markets?

What role should planning play in a market-based economy? In this first session we will discuss the potential benefits of “economic thinking,” but also the limitations, especially in terms of how economic approaches engage with inequality and difference.

Readings:

Klosterman, Richard E. 1985. “Arguments for and Against Planning,” *Town Planning Review*, Vol. 56, No. 1: 5-20.

Kvangraven, Ingrid Harvold, and Surbhi Kesar. 2020. “Why Do Economists Have Trouble Understanding Racialized Inequalities?” Institute for New Economic Thinking blog.
<https://www.ineteconomics.org/perspectives/blog/why-do-economists-have-trouble-understanding-racialized-inequalities>

Unit I: How Markets Work

I.a: Microeconomic basics: 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, or watch the Khan Academy videos for “Supply, Demand, and Market Equilibrium” linked on the Canvas site.

II.b: Efficiency: In this session we will take 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?

Reading:

Stone, Deborah. 2002. “Efficiency,” in *Policy Paradox: The Art of Political Decision Making*.

Unit II: How Markets Fail

II.a: Market failure and public goods: Elegant theories of how markets work inevitably encounter reality, which is that markets fail in systematic ways. In this session we will unpack those ways, and focus in particular on “public goods” that markets typically fail to provide optimally.

Readings:

Stiglitz, Joseph. 2000. “Market Failure,” in *Economics of the Public Sector*.

Rahman, K. Sabeel. 2017. “Losing and Gaining Public Goods,” *Boston Review* forum,
<http://bostonreview.net/forum/k-sabeel-rahman-losing-and-gaining-public-goods>.
(Recommended: Responses to Rahman)

II.b: Intervening in markets: Establishing that market failure or public goods exist is only a starting point from a policy or planning standpoint. What do you do about it? In this session we will break down the various ways that planners and policymakers can intervene.

Readings:

Davidson, Adam. 2013. “A Tax on Annoying Behavior?” *The New York Times Magazine*.

Meltzer, Rachel and Alex Schwartz. 2019. "Devising Alternative Policy Options," in *Policy Analysis as Problem Solving*.

Quiz 1 (due Oct 14)

Unit III: Analyzing Policy Choices

III.a: 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 examples as a class.

Readings:

City of Portland, Racial Equity Toolkit

Equity Analysis examples on Canvas

III.b: 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:

Meltzer and Schwartz, "Technical Aspects of Policy Analysis"

City of Portland Bureau of Environmental Services, "Cost Benefit Evaluation of Ecoroofs"

OCT 24th: ASSIGNMENT 1 DUE (12pm, submit via Canvas), CLASS PRESENTATIONS

Unit IV: Urbanization and Economic Development

IV.a: Urbanization and agglomeration

IV.b: Urban growth and urban structure

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:

Mallach, *The Divided City*, Introduction, chapters 1-3 (pp. 1-73).

UN-Habitat. 2016. "Urbanization as a Transformative Force," ch. 2 (pp. 27-45) in *Urbanization and Development: Emerging Futures*. World Cities Report 2016. (*ch. 8, "The Changing Dynamics of Urban Economies," optional)

Additional reading(s) TBD

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

Quiz 2 (due Nov 4)

Unit V: Urban Land

V.a: Urban land (bid-rent) theory

V.b: Land use zoning, “sprawl” and growth management

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:

Mallach, *The Divided City*, chapter 4

Bertaud, Alain. 2018. “Spatial Distribution of Land Prices and Densities: Models Developed by Economists.” In *Order Without Design: How Markets Shape Cities*, 93–141. Cambridge, MA: The MIT Press.

Additional reading(s) TBD

O’Sullivan, Ch. 6-7, 9 (pp. 128-201, 230-254)

Quiz 3 (due Nov 11)

Unit VI: Urban Transportation

VI.a: Transportation economics and traffic congestion

VI.b: Transit economics

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:

Litman, Todd. 2011. “Socially Optimal Transport Prices and Markets.” Victoria, BC: Victoria Transport Policy Institute.

Manville, Michael, and Emily Goldman. 2018. “Would Congestion Pricing Harm the Poor? Do Free Roads Help the Poor?” *Journal of Planning Education and Research* 38 (3): 329–44.

Walker, Jarrett. n.d. “The Transit Ridership Recipe.” Online at:
<https://humantransit.org/basics/the-transit-ridership-recipe>.

Additional reading(s) TBD

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

NOV 17th: ASSIGNMENT 2 DUE (11:59pm, Canvas)

Unit VII: Housing

VII.a: Housing markets and affordable housing

VII.b: Gentrification and neighborhood change

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 unit 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:

Mallach, ch. 5-6 (pp. 97-143)

Been, Vicki, Ingrid Gould Ellen, and Katherine O'Regan. 2019. "Supply Skepticism: Housing Supply and Affordability." *Housing Policy Debate*, 29 (1): 25–40.

Bates, Lisa K. 2013. "Gentrification and Displacement Study: Implementing an Equitable, Inclusive Development Strategy in the Context of Gentrification." Report to City of Portland, Bureau of Planning and Sustainability.

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

Quiz 4 (due Nov 25)

Unit VIII: Local Government and Spatial Injustice

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:

Mallach, ch. 7, "The Other Postindustrial America"

Additional reading(s) TBD

* O'Sullivan, Ch. 16-17 (pp. 411-454)

Quiz 5 (due Dec 2)

Unit IX: Urban Sustainability

In this session we will engage the question of what a “sustainable city” actually means, and how it relates to the models and dynamics of urbanization and urban form that we have discussed throughout the term. We will focus in particular on the nexus between sustainability, climate change and climate justice, and dynamics of inequity and inequality in the urban environment.

UN-Habitat. 2016. “‘Just’ Environmental Sustainable,” ch. 5 in *Urbanization and Development: Emerging Futures*.

Dec 5: Wrap-Up Session.

Dec 6th: ASSIGNMENT 3 DUE (11:59pm, submit via Canvas)

SCHEDULE BY WEEK AND UNIT/TOPIC

*Online-only content

Week of	9/30	10/7	10/14	10/21	10/28
Tuesday	Intro	I.b	II.b	Work session	IV.a
Thursday	I.a	II.a	III.a/III.b*	Presentations	IV.b
Quiz (Fri-Mon)		1		A1 due	2
Week of	11/4	11/11	11/18	11/25	12/2
Tuesday	V.a	VI.a	VII.a	VIII	IX
Thursday	V.b	VI.b	VII.b	No class	Wrap
Quiz (Fri-Mon)	3	A2 due	4	5	A3 due

Intro: Planning versus Markets?

I.a: How Markets Work: Microeconomic Basics

I.b: How Markets Work: Efficiency and Welfare Economics

II.a: How Markets Fail: Market Failure, Externalities and Public Goods

II.b: How Markets Fail: Intervening in Markets

III.a: Analyzing Policy Choices: Equity Analysis

III.b: Analyzing Policy Choices: Cost-Benefit Analysis

IV.a: Urbanization and Economic Dev't: Urbanization and Agglomeration

IV.b: Urbanization and Economic Dev't: Urban Growth and Structure

V.a: Urban Land: Urban Land (Bid-Rent) Theory

V.b: Urban Land: Land Use Zoning, Sprawl, and Growth Management

VI.a: Urban Transportation: Transportation Economics and Traffic Congestion

VI.b: Urban Transportation: Economics of Transit

VII.a: Housing: Housing Markets and Affordable Housing

VII.b: Housing: Gentrification and Neighborhood Change

VIII: Local Government and Spatial Injustice

IX: Urban Sustainability