

“New York is an ugly city, a dirty city. Its climate is a scandal, its politics are used to frighten children, its traffic is madness, its competition is murderous. But there is one thing about it – once you have lived in New York and it has become your home, no place else is good enough. All of everything is concentrated here, population, theatre, art, writing, publishing, importing, business, murder, mugging, luxury, poverty. It is all of everything. It goes all right. It is tireless and its air is charged with energy. I can work longer and harder without weariness in New York than anyplace else”

John Steinbeck,

“The Making of a New Yorker,” *New York Times Magazine*, 1953

Economics W 4911: The Economics of New York

Senior Seminar: Microeconomics

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Mondays 6-8 PM,

Office Hours, Wednesday 1-2 PM, 1038 International Affairs Building

This course takes New York as our laboratory. We live here. We study here. We play here. What better laboratory could we have to understand economics? Economics is about individual choice subject to constraints and the ways that choices sum up to something often much more than the parts. Why not study it in our backyard? (As if we have a backyard!).

The fundamental feature of any city is the combination of those forces that bring people together and those that push them apart. Thus both physical and social space will be central to our discussions. The underlying theoretical and empirical analysis will touch on spatial aspects of urban economics, regional, and even international economics. We will match these theoretical and empirical analyses with readings that reflect close observation of specific subjects. The close observation is meant to inspire you to probe deeply into a topic in order that the tools and approaches of economics may illuminate these issues in a fresh way.

Required Texts

Theory and Empirics

Glaeser, Edward L., *Cities, Agglomeration, and Spatial Equilibrium: The Lindahl Lectures*, Oxford University Press, 2008.

Observation

Currid, Elizabeth, *The Warhol Economy: How Fashion, Art and Music Drive New York City*, 2008, Princeton University Press.

Freeman, Lance, *There Goes the 'Hood: Views of Gentrification from the Ground Up*, Temple University Press, 2006.

Jacobs, Jane, *The Death and Life of Great American Cities*, 1961, Vintage Books Edition 1992.

Riis, Jacob A., *How the Other Half Lives*, 1890 and 2004, Barnes & Noble Books.

Soyer, Daniel, editor, *A Coat of Many Colors: Immigration, Globalization, and Reform in New York City's Garment Industry*, Fordham University Press, 2005.

Student Evaluation

Paper (50 Percent)

The paper may be written individually or in groups up to three people. The study should be grounded in relevant prior literature, theoretical, empirical and, where relevant, historical.

The paper must:

- Ask and answer a question.
- Address a question of substantive economic interest with an *explicit spatial element* applied to part or all of New York City.
- Be grounded in relevant prior literature, including theory, empirics and, as appropriate, history.
- Use some data. Data analysis may just be discussion of tables and charts relevant to the project. It may include estimation of parameters or formal statistical analysis of hypotheses. It may be “off the shelf” or collected by the researcher (we will talk about potential ways to generate data).
- Students should come to the **September 21** class with at least two preliminary ideas about potential paper topics. It's okay if the ideas are still *very* preliminary. We will try to help you! Try to narrow it down by September 28.

- Students should turn in a two-page discussion of their paper topic on **October 5**. This should identify the question to be asked and answered, at least preliminary ideas about methods, and should have a bibliography of works to be consulted.
- If all else fails, be interesting!

Examples of acceptable topics will be discussed in class. At the conclusion of the paper, a detailed description of the contributions of each member to any joint work is expected. All presentations must include ample participation by each member of a group and each member must be prepared to discuss any part of the project.

Discussion/Presentations (25 Percent)

- Students will be divided into five groups to *lead* discussions of the five books of observation about New York.
- All students will make two presentations directly relevant to their paper project. The first of these (Meetings 8-10) will cover literature reviews. The second of these (Meetings 11-13) will cover the papers themselves.
- Students presenting their term paper should also identify a relevant short reading that other students should review before the final presentation.

Participation, including attendance (25 Percent)

- All students are expected to have read the relevant books and to arrive at the seminar ready to discuss! The point is not necessarily to read cover to cover in the books. Rather the point is to have found something in the book that is so fascinating that you arrive at the seminar bursting from desire to talk about it. (But please don't actually burst!)

Extra Credit: Neighborhood Exploration Project

- Students or groups of students can get extra credit by preparing a neighborhood exploration project. This allows you to use New York as a lab and as an exhibit. Take us somewhere to show us economic forces at work in a particular location. Ideally this would be tied in to the larger paper project that you are working on. Usually we should aim to schedule these on a Friday, Saturday, or Sunday, doing our best to accommodate schedules. This is not just a walkabout. This should also have some prepared discussion attached to it and last perhaps 45 minutes to an hour (not including travel).

Detailed Course Outline

Meeting 1: September 14

- I. Introduction
- II. Instructor Presentation: Glaeser, Chapters 1-2
- III. Brainstorming on paper topics.

Meeting 2: September 21

- I. Instructor Presentation: Glaeser, Chapters 3,4
- II. Students present at least two preliminary ideas of what they would like to work on.

Meeting 3: September 28

- I. Instructor Presentation: Glaeser, Chapter 5
- II. Student-led discussion of Jacobs, *The Death and Life of Great American Cities*.
- III. Updates on your thinking about the paper.

Meeting 4: October 5

- I. Instructor Presentation: Glaeser, Chapter 6
- II. Student-led discussion of Riis, *How the Other Half Lives*.
- III. Updates on student papers

Meeting 5: October 12

- I. Student-led discussion of Freeman, *There Goes the 'Hood: Views of Gentrification From the Ground Up*.
- II. Updates on student papers

Meeting 6: October 19

- I. Student-led discussion of Currid, *The Warhol Economy: How Fashion, Art and Music Drive New York City*.
- II. Updates on student papers

Meeting 7: October 26

II. Student-led discussion of Soyer, editor, *A Coat of Many Colors: Immigration, Globalization, and Reform in New York City's Garment Industry*.

(Academic Holiday November 2)

Meeting 8: November 9

Student Literature Review Presentations

Meeting 9: November 16

Student Literature Review Presentations

Meeting 10: November 23

Student Literature Review Presentations

Meeting 11: November 30

Student Paper Presentations

Meeting 12: December 7

Student Paper Presentations

Meeting 13: December 14

Student Paper Presentations

Supplementary (Not Required) Readings

A particularly valuable resource is the *Handbook of Regional and Urban Economics (HRUE)*, Volume 4, *Cities and Geography*, J. Vernon Henderson and Jacques Thisse, eds., 2004, available via CLIO at

<http://www.sciencedirect.com.monstera.cc.columbia.edu:2048/science/handbooks/15740080> .

The most relevant chapters:

"Theories of systems of cities," Pages 2293-2339, Hesham M. Abdel-Rahman, Alex Anas, HRUE, 2004.

"Micro-foundations of urban agglomeration economies," Pages 2063-2117, Gilles Duranton, Diego Puga, HRUE, 2004.

"Evidence on the nature and sources of agglomeration economies," Pages 2119-2171, Stuart S. Rosenthal, William C. Strange, HRUE, 2004.

"Neighborhood effects," Pages 2173-2242, Steven N. Durlauf, HRUE, 2004.

"Human capital externalities in cities," Pages 2243-2291, Enrico Moretti, HRUE, 2004.

Arnott, Richard J. and McMillen, Daniel P., *A Companion to Urban Economics*, Blackwell, 2008

Baldwin, Richard; Forslid, Rikard; Martin, Philippe; Ottaviano, Gianmarco; Robert-Nicoud, Frederic, *Economic Geography and Public Policy*, Princeton U. Pr. 2003

Brakman, Steven; Garretsen, Harry; and van Marrewijk, Charles; *The New Introduction to Geographical Economics*, Cambridge U. Pr., 2008

Burns, Ric; Sanders, James; Ades, Lisa, *New York: An Illustrated History*, Random House, 2003

Combes, Pierre-Philippe; Mayer, Thierry; Thisse, Jacques-Francois, *Economic Geography: The Integration of Regions and Nations*, Princeton U. Pr. 2008

Fujita, Masahisa; Krugman, Paul R., Venables, Anthony J., *The Spatial Economy: Cities, Regions and International Trade*, MIT 1999

Fujita, Masahisa, ; Thisse, Jacques-Francois, *Economics of Agglomeration: Cities, Industrial Location, and Regional Growth*, Cambridge U. Pr., 2002.

Krugman, Paul R., *Geography and Trade*, MIT Pr., 1991

O'Sullivan, Arthur, *Urban Economics*, 7th Edition, McGraw Hill, 2009