

“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, 1102 International Affairs Building

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 Books

Theory and Empirics

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

Policy

Inman, Robert P., ed., *Making Cities Work: Prospects and Policies for Urban America*, Princeton U Press, 2009.

Observation

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

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

Mele, Christopher, *Selling the Lower East Side: Culture, Real Estate and Resistance in New York*, U of Minnesota Pr, 2000.

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

Remaining readings can be downloaded via [Google Scholar](#).

Student Evaluation

Paper (50 Percent)

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 Week Two meeting with the instructor with at least some very preliminary ideas about potential paper topics.

It's okay if the ideas are still *very* preliminary. I will try to help you!
Try to narrow it down by September 27.

- Students should turn in a two-page discussion of their paper topic on **October 4**. 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.
- Final paper due on December 17 (late papers graded down).
- If all else fails, be interesting!

Examples of acceptable topics will be discussed in class.

Participation, including attendance (30 Percent)

- Students will be divided into groups to *lead* discussions of the books of observation about New York.
- All students are expected to have read the relevant articles or 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!)

Discussion/Presentations (20 Percent)

- All students will make both short and long presentations related to their paper project. Meetings 3 and 4 will have very brief updates. The last three meetings of the term will feature longer presentations by the students based on their papers.

Extra Credit: Neighborhood Exploration Project (Student must announce date by 10/4).

- 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 about an hour (not including travel).

Detailed Course Outline

Instructor presentations will typically be brief, drawing especially on relevant sections of the book *A Companion to Urban Economics*. Most class time is devoted to discussion.

Week 1: September 13 Intro, Overview

- I. Instructor Presentation
- II. Readings and discussion of:
 - Glaeser, Edward L. "Growth: The Death and Life of Cities," in *Making Cities Work*,
 - Glaeser, Edward L. "Urban Colossus: "Why Is NY Americas Largest City," 2005

Week 2:

In place of regular course meeting, Instructor will meet with groups of students to launch paper projects. Signups at Week 1 meeting.

Week 3: September 27 When do Neighborhoods Work?

- I. Instructor Presentation
- II. Student-led discussion of Jane Jacobs, *The Death and Life of Great American Cities*.
- III. Brief Updates on student papers

Week 4: October 4 Immigration & Neighborhoods

- I. Instructor Presentation
- II. Student-led discussion of Jacob Riis, *How the Other Half Lives*.
- III. Brief Updates on student papers

Week 5: October 11 Conflict over Space

- I. Instructor Presentation
- II. Student-led presentation of:
 - Christopher Mele, *Selling the Lower East Side: Culture, Real Estate and Resistance in New York*, U of Minnesota Pr, 2000.
- III. Updates on student papers

Week 6: October 18 Gentrification

- I. Instructor Presentation
- II. Student-led discussion of articles on "Gentrification"
 - Freeman, Lance and Frank Braconi, "Gentrification and Displacement: New York City in the 1990s," *Journal of the American Planning Association*, 2010.

Newman, Kathe and Elvin K. Wyly, "The Right to stay put, revisited: Gentrification and the resistance to displacement in New York City, *Urban Studies*, 2006.

Slater, Tom, "The Eviction of Critical Perspectives from Gentrification Research," *International J of Urban and Regional Research*, 2006.

Vigdor, Jacob L., with comments by Douglas S. Massey and Alice M. Rivlin, "Does Gentrification Harm the Poor?" *Brookings-Wharton Papers on Urban Affairs*, 2002

III. Updates on student papers

Week 7: October 25 Housing

I. Instructor presentation

II. Student-led discussion of

Ellickson, The False Promise of Mixed Income Housing Proj, *UCLA Law R* 2010

Glaeser, Edward L., Joseph Gyourko, Raven Saks, "Why Is Manhattan So Expensive, Regulation and the Rise in Housing Prices," *J Law & Econ* 2005.

Gyourko, Joseph, "Urban Housing Markets," in *Making Cities Work*.

Franz Hubert, "The Economic Theory of Housing Tenure Choice," chapter 9 in *A Companion to Urban Economics*.

III. Updates on student papers

(Academic Holiday November 1)

Week 8: November 8 Networking

I. Instructor presentation

II. Student-led discussion of

Currid, *The Warhol Economy: How Fashion, Art and Music Drive New York City*, and Arzaghi, Mohammad and J. Vernon Henderson, "Networking off Madison Avenue," *Review of Economic Studies*, 2008.

Gilles Duranton, "Human Capital Externalities in Cities," chapter 2 in *A Companion to Urban Economics*.

III. Updates on student papers

Week 9: November 15 Neighborhoods, Segregation, Jobs

I. Instructor presentation

II. Student-led discussion of

Chapters 23-25 in *A Companion to Urban Economics*.

Jacob Vigdor, "Race," in *Making Cities Work*.

III. Updates on student papers

Week 10: November 22 Transport

I. Instructor Presentation

II. Student-led discussion of articles:

Small, Kenneth A. "Urban Transportation Policy," in *Making Cities Work*.
Yoshitsugu Kanemoto, "Urban Transport Theory," in *A Companion to Urban Economics*.
Ian Parry and Kenneth A. Small, "Should Urban Transit Subsidies Be Reduced,"
American Economic Review, 2009.

III. Updates on student papers

Week 11: November 29

I. Final Student Paper Presentations

Week 12: December 6

I. Final Student Paper Presentations

Week 13: December 13

I. Final 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.

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