RSM 3012: Advanced Topics in Urban and Real Estate Economics
Syllabus

**Location:** Rotman 470
**Schedule:** Thursdays 1:10-2:25, (break), 2:40-3:55

**Target Audience:** This course is primarily aimed at PhD students who have completed the first year of a PhD program in Economics or a related field. MA students are welcome to consider the course, but should discuss with me first. Auditors are also welcome, I just ask that you let me know that you are auditing. All those sitting in on the course will be expected to present one paper of your choice to the class (about 45 minutes) at some point in the term.

**Broad Goals:** The course is intended to prepare students to do academic research in economics or related fields. The coursework assumes a strong background in microeconomic theory and econometrics. Methodologically, the course is split into about one-third applied theory, one-third structural empirical applications and one-third more reduced form empirical applications.

**Topics:** The material is chosen to complement the material in Michel Serafinelli’s graduate Urban and Regional Economics course. Topics scheduled to be covered are listed in the course schedule below. I want to be flexible and respond to class demand on covered topics to some extent, particularly toward the end of the course. Please let me know if there is an urban/real estate topic not listed on the syllabus that you would be interested in seeing. For example, I would be glad to do more on agglomeration economies and economic geography at a regional scale, though I understand these topics are covered in Serafinelli’s course and Morrow’s international trade course.

**Grading:** I try to provide challenging but manageable work. I highly encourage you to work together on the problem sets and talk to each other about research ideas. The research process is increasingly collaborative and coursework should be as well.

- Problem Set 1 will be about manipulating the classical urban land use model and about implementing the Eaton-Kortum (2002) based quantitative urban model empirically. (20% of the grade)
- Problem Set 2 will be about manipulating and taking to the data a neighborhood choice model that also incorporates commuting mode choice and about conducting inference with spatially dependent data. (20%)
- Mock referee report of a paper to be provided. (10%)
- Presentation of one paper of your choice to the class for about 45 minutes. (10%)
- First presentation of paper idea(s) (5%)
- Second presentation of initial progress on paper (5%)
- Writeup of final paper (proposal) (20%)
- Class participation (10% - think of it as about 1% for each class meeting)
Meetings Outside of Class: I encourage everyone to come see me outside of class. If you would like to talk to me individually, catch me during the break, after class or send me an email (Nate.Baum-Snow@rotman.utoronto.ca) to set up a time.

Schedule: Below is a rough schedule of topics and readings. Listed below the schedule are other papers in the literature that may be useful. There will be 12 classes, but I will have to be away on January 25th and March 15th. The schedule below compensates with one class during February reading week and an additional class in April. If many will be away during February reading week, we will hold two classes in April instead.

January 4th: Introduction, Spatial equilibrium ideas, Marshallian approach to land use theory

Albouy, David “What are Cities Worth? Land Rents, Local Productivity, and the Capitalization of Amenity Values” NBER Working Paper #14981


January 11th: Bid-rent concepts, non-monocentric land use


January 18th: Modern quantitative models of cities and regions


January 25th: NO CLASS
January 30th (Tuesday): PROBLEM SET 1 DUE

February 1st: Housing Supply & Real Options


Combes, Duranton, Gobillon (2017) “The production function for housing” manuscript.


February 8th: Presentations of paper ideas (10-15 minutes each)
- Tiebout sorting theory

February 15th: The Hedonic Model and Applications

February 20th (Tuesday): Mock referee report due

February 22nd: Structural Models of Neighborhood Choice

March 1st: Econometric Issues
- Bester, C. Alan, Timothy G. Conley & Christian B. Hansen (forthcoming) “Inference with Dependent Data Using Cluster Covariance Estimators” *Journal of Econometrics*
March 9th: Urban Transportation: Mode Choice & Demand Estimation


March 16th: NO CLASS
March 21st (Tuesday): Problem Set 2 Due

March 23rd: Local labor markets


March 30th: Place based policies


April 5th: Paper proposal presentations (15-20 minutes each)
Ghettoes and Neighborhood Effects


April 30th: Final paper proposal due

**Additional Reading, Broken Out by Topic:**

1. **Land Use and Economic Geography Theory and Empirics**

Duranton, Puga, Urban Land Use, Hdbk Regional, Urban Econ, 2014


These are the three classic works on land use theory


2. Housing Supply & Real Options


Cosman, Williams & Davidoff, 2017. Housing Appreciation and Supply in Monocentric Cities with Topography, manuscript

Davidoff, 2017. Supply Constraints are Not Valid Instrumental Variables for Home Prices Because They are Correlated with Many Demand Factors, Critical Finance Review

3. Tiebout Sorting, Local Public Finance Theory and Fiscal Federalism


Fujita Chapter 6

These are the classic works in this literature


### 4. Hedonics and Location Choice


Caetano, Gregorio. 2008. “Neighborhood Sorting and the Valuation of Public School Quality” manuscript


This is the classic work in the hedonics literature

5. Urban Transportation and Mode Choice


Van Benthem, Arthur. “Do We Need Speed Limits on Freeways?” manuscript.


Fujita Chapter 7


This is the classic paper that is the basis for much of modern structural IO demand estimation


6. Applied Spatial Econometrics


7. Local Labor Markets and Inequality


Wang, Zhi. 2014. “Location Choice at Labor Force Entry and New Estimates of Selection, Growth, and Level Effects from U.S. Census Data” manuscript.


This is the classic spatial equilibrium paper

Roback, Jennifer “Wages, Rents and the Quality of Life” Journal of Political Economy 90 1257-1278 (Dec. 1982)

8. Housing Demand and Housing Policy


Autor, Palmer, Pathak, Housing Mkt Spillovers, End of Rent Control in Camb, MA, JPE 2014


Christopher Palmer “Why Did So Many Subprime Borrowers Default During the Crisis: Loose Credit or Plummeting Prices?” manuscript

Keys, Mukherjee, Seru “Did Securitization Lead to Lax Screening? Evidence from Subprime Loans” Quarterly Journal of Economics, forthcoming


Chetty et al, Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States, QJE 2014

Chetty & Hendren “The Effects of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects” Quarterly Journal of Economics, forthcoming


Boustan, Was Postwar Suburbanization “White Flight” -- Evidence from the Black Migration, QJE 2010


D. Cutler & E. Glaeser "Are Ghettoes Good or Bad?" (1997) Quarterly Journal of Economics 112:3 827-872