

Course outline

Autumn 2016

(Last updated 9 August 2016)

1. Description

This is a course about the urban economy. I review and re-interpret fundamental models that explain how the operation of markets in equilibrium shapes the scale and organization of the commercial city in a mixed market economy within a liberal state. The course reviews classic models of the urban economy that are based on the work of Alonso, DiPasquale & Wheaton, Getz, Herbert & Stevens, Hurd, Lowry, Mills, Muth, Ripper & Varaiya, and Schlager, among others. The antecedents to these models can be traced back to the work of Andrews, Beckmann, Christaller, Clark, Cooley, Haig, Leontief, Polanyi, Power, Reilly, Thünen, Samuelson, and Tiebout. These models link markets for the factors of production (e.g., land, labour, and capital), markets for investment and fixed capital formation (notably real estate), markets for transportation, and markets for exports (sales beyond the city) in equilibrium both within the urban economy and the rest of the world. In each case, the model “explains” the urban economy by revealing how assumptions (about causes and structures) lead to predictions about scale and organization outcomes. By contrasting these models, we can separate important assumptions from the unimportant; this allows us to focus on significant ideas. In envisaging markets, these models assume appurtenant property, contract, and civil rights. As befits the liberal state, such models also presume that individuals and firms are purposeful and have autonomy in these markets. These models raise questions about how and when does governance enable and facilitate markets, autonomy, and the urban economy in this way. I argue that it is helpful to see governance (and hence the urban economy) as outcomes negotiated by (political) actors motivated by competing notions of commonwealth and aggrandizement.

This course has a single overall objective. Through a set of simple models, I aim to show how the operation of competitive markets shapes the scale and organization of the urban economy. This objective is realized in a grand idea in seven parts. First, individuals are motivated by a sense of purpose and hope in their pursuit of economic opportunity and the good life. Second, the state shapes the economy by enabling various forms of production (e.g., contracts, partnerships, corporations, unions, and trade associations) and distribution (e.g., market prices, wage, public good provision, property, rights and remedies). Third, the state and its people reap benefits from the efficiency made possible by a market economy. Fourth, the city—as a concentration of population—inevitably brings to the attention of the state concerns with social, cultural, and political questions that arise from living in close proximity (e.g., environmental conditions, the regimentation of social life, and the balance between right to property and right to a decent life); all of these can be thought to be aspects of the “good life”. Fifth, in a global economy characterized by competitive markets, the spatial pattern of production comes to be shaped by factors that typically are beyond the control of any one state. Sixth, the distribution of income that results from this reflects both competition and the ability of individuals as owners of scarce resources to reap Ricardian rents. Seventh, the relentless search for efficiency puts existing holders of Ricardian rents in constant jeopardy and thereby challenges the state as well as local governance.

The course follows a book that I have written, *The Organization of Cities*, to be published by Springer in Spring 2017.

I have divided this course into six parts. An introductory part that spans the Preface and first three chapters, I have laid out a story about the nature of an urban economy (commercial city) in the modern liberal state. My intent is that this provide the reader with a way of thinking about how to position each of the models that follow: from Mills to Ripper-Varaiya. In the second part (Chapter 4), I laid out a puzzle in the form of the Mills model. This is an elegant and sophisticated model but (1) it is not solvable algebraically and (2) it makes assumptions about the urban economy that properly ought to be derivations. In the third part (Chapters 5 through 11), I elaborate on an aspect at the core of Mills model: the notion that export and factor markets are in equilibrium. By starting from a simple model in Chapter 5 and then sequentially releasing assumptions, I seek to show which assumptions are truly important. In the fourth part (Chapters 12 and 13), I break away from Mills. I start to think about capital: not as malleable but as fixed capital formation with its risks in terms of liquidity. In the fifth part (Chapters 14 through 17), I continue to break away from Mills. My intent here is to look at districting, land use planning, and transportation in the context of the urban economy. In the sixth part (Chapters 19 and 20), I further break away from Mills. My intention in Chapter 19 is to understand how the diversity of households (workers) gets accommodated in the market for land. In Chapter 20, I present a model in which a number of ideas that extend the Mills model are drawn together in one place. While the Ripper Varaiya can be solved only numerically, its components are closely related to ideas explored in Chapters 5 through 18.

2. Course objectives

To introduce students to the principal thinking about the nature of the urban economy; to develop a facility with important models in the area; to draw implications for planning and public policy; to better understand how deductive theories are based on assumptions, and how models can be compared by examining their assumptions; to better understand the relevance of geography and planning in economic thought.

An area of scholarly study typically has four components.

Ideas. The intellectual frameworks, concepts, and principles we use to simplify and structure our thinking.

Voices. The syntheses (application of ideas) offered by principal scholars in the field.

Methods. The deductive (logical) and inductive (empirical) tools that we use to identify, interpret, confirm, and analyze processes under study.

Data. The sources of information that we use to explore and confirm

The emphasis in this course is on ideas, voices, and methods.

3. Recommended preparation

- An undergraduate degree that includes the equivalent of a specialist program in City Studies, Economics, Geography, Management, Planning, or Urban Studies
- An undergraduate course in economics; having taken a course in intermediate microeconomics is helpful.
- Access to (and a basic working knowledge of) a version of Microsoft Excel that incorporates the Solver add-in: e.g., at least Office 2003 for windows, or Office 2004 for mac. This course makes extensive use of the Solver routine built into that version of Excel. A newer version of Excel may be used, but make sure that you have the corresponding Solver add-in.

4. Exclusions

None

5. Approach

The purpose of this course is to reinterpret thinking about the urban economy in a way that (1) makes it relevant and accessible to graduate students in geography, planning, management, economics, and other associated disciplines and (2) focuses attention on central problems and questions in this area of scholarship. The literature is characterized by use of theoretical models, something students from human geography, planning, and other social science disciplines can find mystifying, impenetrable, inappropriate, "unrealistic", or "too deterministic". Scholars in the field favour a parsimonious writing style—at its very best, breathtakingly insightful—that students often see as dense or terse. This course attempts to overcome aspects of that by casting models in terms students can more readily understand. The course uses symbolic spreadsheets (Microsoft Excel workbooks) to illustrate models. The course is run as a series of weekly workshops focused on the analysis and interpretation of models. Students are expected to have done a preliminary reading in advance of the lecture and to be able to contribute to discussion of the models in class.

Each workshop incorporates lecture, seminar, and lab elements. Students prepare for each workshop by reading the assigned book chapter and becoming familiar with the associated excel workbook. Although not a course requirement, students find it helpful to bring a laptop computer to class with the reading (PDF) and the workbook (XLSX) files installed.

6. Timetable

Two-hour workshop weekly. Thursdays, 12-2 pm.

7. Course text

Miron, J.R. 2017. *The Organization of Cities*. New York NY: Springer.

Book chapters and (accompanying excel workbooks) are available through the course website at portal.utoronto.ca. Materials may be password-protected. If so, the password is m5r2n4.

Important Journals in the field

American Economic Review

Annals of Regional Science

Geographical Analysis

Growth and Change

Journal of Economic Geography

Journal of Regional Science

Journal of Urban Economics

Professional Geographer

Regional Science and Urban Economics

Transactions of the Institute of British Geographers
Urban Studies

8. Instructor

John R. Miron
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9. Office hours

Thursdays, 11-12. Other times by appointment.

10. E-mail correspondence

Students typically e-mail the instructor with queries about the lectures, assignments, and tests. Normally, e-mail queries should be short: that is, require an answer of only one sentence or two. If your query is longer than that, please phone me or drop by my office rather than e-mailing.

I endeavor to reply to queries in a timely fashion. Please note that I usually check my e-mail daily. I rarely read e-mail messages from home, and therefore typically do not respond on evenings or weekends.

11. Course website

This course makes use of Blackboard.

<http://portal.utoronto.ca>

Please refer to the course website there regularly for updated course information and materials.

Schedule

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Workshop Section of book

1	Introduction Chapter 1	The state, decentralization and entitlement, and the organization of cities
2	Chapter 2 Chapter 3	State, economy, and city: a reconstruction Explaining the rise of commercial cities
3	Chapter 4	The Mills model
4	Chapter 5 Chapter 6	A simple model of a one-industry town Land for worker accommodation in a one-industry ribbon town
5	Chapter 7 Chapter 8	Land for industry in a one-industry ribbon town A simple model of an urban economy with multiple industries
6	Chapter 9 Chapter 10	Land for worker accommodation in a multi-industry ribbon town Land for industry in a multi-industry ribbon town

Proposal due by start of class: week 7

7	Chapter 11 Chapter 12	Substitution by consumers in the urban economy Real estate in the urban economy
8	Chapter 13 Chapter 14	Risk, investment, and the urban economy Districting in the urban economy
9	Chapter 15 Chapter 16	A simple model of land use planning in the urban economy Nuisance, zoning, and the urban economy
10	Class cancelled	
11	Chapter 17 Chapter 18	Transportation planning and the urban economy The Herbert-Stevens model

Term paper due by start of class: week 12

12	Chapter 19 Chapter 20	An efficient urban economy; the Ripper-Varaiya model Conclusions
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Grading scheme

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This course includes up to three graded components: paper proposal, term paper, and an optional final examination. The paper proposal is worth 20%. A single numerical grade is awarded for the term paper. Four numerical grades are awarded for each of the four final examination questions. Each student must complete the paper proposal and **at least one of** the term paper and/or final examination. If the student completes only one of term paper or final examination, that component is worth the remaining 80%. If the student completes all three components, each final examination question counts toward the final grade only where it improves the student's overall grade; in such cases the weight of the term paper is reduced by 20 marks for each final examination question used. For example, consider a student who scores 75% on the proposal, 80% on the term paper, and has one final examination question that scores 85% (that is, more than 80). The student's final grade, before any bonus marks, would be $75(20) + 80(60) + 85(20) = 80$.

Proposal

Each student will complete a proposal for a term paper. The proposal normally will not exceed 1200 words in length. It will (1) clarify the research question to be addressed and explain its importance or significance, (2) indicate the key literature to be reviewed, (3) sketch a methodology, and (4) suggest the potential findings and their significance for the study of the urban economy. Proposals are normally submitted as an email attachment: PDF format preferred.

Term paper

Students may submit a term paper. The term paper normally will be about 5,000 words in length. It will include (1) the research question addressed and its importance or significance, (2) the key literature and its findings, (3) methodology, and (4) findings gained and their significance for the study of the urban economy. Any deviation from the proposal should be identified and explained. Term papers are normally submitted as an email attachment: PDF format preferred.

Final examination

An optional final examination will be scheduled in December. It will be two hours long and cover material from the lectures and readings for the term. Students will answer 4 short-essay questions, each potentially worth 20 marks toward the final course grade. Students may use handwritten notes, texts, and photocopied material in the examination. No calculators, organizers, or other electronic devices are permitted.