Professor Holger Sieg

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Urban Economics and the Political Economy of State and Local Governments: Spring 2024

COURSE DESCRIPTION:

The course provides an introduction to current research in urban economics, local public finance, and the political economy of state and local governments. The objective of the course is to prepare and encourage 2nd year and 3rd year Ph.D. students to start working on their own research. Taking this course is a necessary requirement for all Ph.D. students at Penn who expect me to serve as a member of their dissertation committee or as a reader of their third-year paper.

TEXTBOOK: (for those of you who have never taken a course in urban economics and local public economics)

Sieg, H. (2020). Urban Economics and Fiscal Policies. Princeton University Press.

TOPICS:

Most of the topics that we will cover in this course below are listed below.The lectures are not meant to be a survey of the literature instead it is meant to teach you the key structural and non-structural modeling approaches that have been used in the recent literature. This course thus establishes some common ground and helps you to get up to speed. The textbook will provide you with an overview of the most relevant topics in urban economics and local public finance. It also includes a detailed reading list that you can consult for further readings.

1. Introduction and Methodological Review

    Holmes, T. and H. Sieg (2015), "Structural Estimation in Urban Economics." in:

Handbook of Regional and Urban Economics 5A." G. Duranton, V. Henderson and W. Strange (eds.), North Holland, 69-114.

2. Agglomeration and City Structure: (Dif-in-Dif Research Design)
Greenstone, M., R. Hornbeck, and E. Moretti (2010). Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings. *Journal of Political Economy*, 118 (3), 536-598.

3. Moving to Opportunity: (Experimental Research Desgin)
Chetty, R., N. Hendren, and L. Katz (2016). The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project. *American Economic Review*, 106 (4).

4. Static Discrete Choice with Applications to Spatial and Sorting Models:
Lecture Notes on Estimating Static Random Utility Models
Epple, D. and H. Sieg (1999), "Estimating Equilibrium Models of Local Jurisdictions," *Journal of Political Economy*, 107, 645-681.
Sieg, H., Smith, V. K., Banzhaf, S. and R. Walsh (2004), Estimating the General Equilibrium Benefits of Large Changes in Spatially Delineated Public Goods. *International Economic Review*, 45 (4), 1047-1077.
Ferreyra, M. (2007). Estimating the Effects of Private School Vouchers in Multi-district Economies, *American Economic Review*, 97 (3), 789-817.
Bayer, P., Ferreira, F., and McMillan, R. (2007). "A United Framework for Measuring Preferences for Schools and Neighborhoods." *Journal of Political Economy*, 115 (4), 588-638.
Epple, D., Jha, A. and H. Sieg (2018), "The Superintendent's Dilemma: Managing School District Capacity as Parents Vote with Their Feet," *Quantitative Economics*, 9(1), 483-520.

5. The Hedonic Model

   Lecture Notes

   Epple, D., Quintero, L. and H. Sieg (2020), "A New Approach to Estimating Hedonic Equilibrium Models for Metropolitan Housing Markets." *Journal of Political Economy*, 128 (3), 948-983.

6. Sorting within Cities

   Ahlfeld, G, Redding, S., Sturm, D. and N. Wolf (2015). The Economics of Density: Evidence from the Berlin Wall. *Econometrica*, 83, 6, 2127-89.

7. Sorting Across Cities

   Diamond, R. (2016). The Determinants and Welfare Implications of US Workers' Diverging Location Choices by Skill: 1980-2000. American Economic Review. 106 (3), 479-524.

8. Sorting Across Cities and Inequality

   Epple, D., Romano, R. and H. Sieg (2012), "The Intergenerational Conflict in the Provision of Public Education," *Journal of Public Economics*, 96 (3-4), 255-268.

   Sieg, H., Yoon, C. and J. Zhang (2023). Migration Controls, Urban Fiscal Policies, and the Accumulation of Human Capital in China. Working Paper.

9. Access and Affordability in Education

   Epple, D., R. Romano and H. Sieg (2006), Admission, Tuition, and Financial Aid Policies in the Market for Higher Education, *Econometrica*, 2006, 74 (4), 885-928.

   Fu, C. (2014). Equilibrium Tuition, Applications, Admissions and Enrollment in the College Market". *Journal of Political Economy* , 2014, 122(2): 225-281.

   Epple, D., Romano, R., Sarpca, S., Sieg, H. and M. Zaber (2019), "Market

Power and Price Discrimination in the U.S. Market for Higher Education," *Rand Journal of Economics*, 50 (1), 201-225.

10. Dynamic Discrete Choice with Applications to Spatial Modeling
    Lecture Notes on Estimating the Rust Model

11. Stationary Spatial Equilibrium of Household Sorting
    Coen-Pirani, D. and H. Sieg (2019), "The Impact of the Tax Cut and Jobs Act on the Spatial Distribution of High Productivity Households and Economic Welfare." *Journal of Monetary Economics*, 105, 44-71.

12. Dynamic Firm Location and Density
    Holmes, T. (2011): "Diffusion of Wal-Mart and Economies of Density," *Econometrica*, 79 (1) 253-301.

13. Stationary Spatial Equilibrium of Firm Sorting
    Brinkman J., Coen-Pirani D. and H. Sieg (2015), "Firm Dynamics in an Urban Economy." *International Economic Review*, 56 (4), 1135-64.

14. Stationary Housing Equilibrium
    Hurst, Keys, Seru and Vavra (2016). Regional Redistribution through the US Mortgage Market, AER.

15. Stationary Housing Equilibrium: Search and Queuing
    Sieg, H. and C. Yoon (2020), "Waiting for Affordable Housing in NYC," *Quantitative Economics*, 11 (1), 277-313.

16. Non-stationary Hedonic Models
    Landvoigt, T, Piazzesi, M and M. Schneider (2015). "The Housing Market(s) of San Diego," American Economic Review, 105(4), 1371-1407.

17. Non-stationary Spatial Models of Household Sorting

    Yoon, C. (2017). Estimating a Dynamic Spatial Equilibrium Model to Evaluate the Welfare Implications of Regional Adjustment Processes: The Decline of the Rust Belt. *International Economic Review*, 58 (2), 473-497.

    Balboni, C. (2021) "In Harm's Way: Infrastructure Investments and the Persistence of Coastal Cities," Working Paper.

18. Static Voting Models of Electoral Competition

    Epple, D., Romer, T. and H. Sieg (2001), "Interjurisdictional Sorting and Majority Rule: An Empirical Analysis," *Econometrica*, 69, 1437-1465.

    Calabrese, S., Epple, D., Romer, T. and H. Sieg (2006), "Local Public Good Provision: Peer Effects, Voting, and Mobility," *Journal of Public Economics*, 2006, 90 (6-7), 959-981.

    Arnold, A. and H. Sieg (2023).

19. Dynamic Games of Electoral Competition I

    Sieg, H. and C. Yoon (2017), "Estimating Dynamic Games of Electoral Competition to Evaluate Term Limits in U.S. Gubernatorial Elections," *American Economic Review*, 107 (7), 1824-57.

20. Dynamic Games of Electoral Competition II

    Sieg, H. and C. Yoon (2022), "Estimating A Dynamic Game with Moral Hazard and Imperfect Monitoring to Measure Policy Responsiveness Among U.S. Mayors," JPE.

GRADES:

Grades will be based on i) in-class participation, ii) the presentation of a paper, iii) the partial replication of a paper presented in class or a research proposal. LATEX and PDF files of the slides must be submitted, at least, one day before the presentation.