Economics 590: Inequality, Segregation, and Local Labor Markets
University of Illinois
Spring 2017

Professor David Albouy
Office: 31 David Kinley Hall
Office Hours: Tuesdays 10:30-11:20 am, 3:30-4:20 pm or by appointment.
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Lecture: Monday and Wednesday, 12:30pm to 1:50 pm, 215 David Kinley Hall

Prerequisites: Graduate microeconomics and econometrics

Brief Description: This course considers how locations – at the metropolitan (labor-market) and neighborhood level – influence economic outcomes. The first half focuses on how local labor markets relate in spatial equilibrium – with amenities and local costs – and are impacted by trade, immigration, and technology. The second half focuses on residential location and segregation, and the impact of natural amenities, public goods, social networks, and historical path dependence.

Grading

25% Daily summaries You must read and summarize the assigned paper(s) before each class. There is no page limit, but you should try to condense the most important information in concise well-written English. Each summary should be divided into four sections. The odd sections should be short; the even ones long.

1) QUESTION: What is (are) the question(s) the paper is trying to answer?
2) METHODOLOGY: What methodology is the author using to address the question? Describe the theory and/or empirical methods.
3) CONCLUSION: What conclusions does the author reach.
4) LIMITATIONS: How are the conclusions sensitive to the methodology used?

25% Class Participation We will discuss each paper in class. You are expected to contribute to the discussion. It is more important to participate than to not make mistakes. Good questions are as valuable as good answers.

25% A brief report (due exam day, max 1,000 words) on a research area in fiscal federalism. Find a paper that you find interesting and which could provide a potential starting point for new research, preferably yours. State what you like about the work and where you think it made a contribution to existing knowledge. Also state where you think there might be room for improvement and where it would be most interesting to take the work further. Be detailed, realistic, and focused in both your criticisms and your suggestions. Generally it is a good idea to look at newer literature, possibly still in working paper form, but if you have reason to believe an old work with some insight that still needs following up on, go for it.

25% Final exam will be based on reading and class discussion
Readings and grades will be posted on website Compass2g/Blackboard
Contact me during the first week of class by email to work out special arrangements

COURSE OUTLINE (27 meetings)

1/18  Introduction

1/23  Opening Thoughts


1/25  Inequality across and within Cities


1/30  Location and Intergenerational Economic Mobility


2/1  The Blinder-Oaxaca Decomposition


2/6  Wage Differentials within and across Locations


2/8  Wage Differentials and Amenities


2/13  Wage Differentials with Local Costs of Living

2/15 **Education and Spatial Sorting**


2/20 **Estimating and Interpreting Spatial Wage Differentials**


2/22 **Local Labor Market Shocks and Mobility**


2/27 **Diverging Populations and Real-Wage Inequality**


3/1 **Endogenous Amenities and Growing Divergence**


3/6 **Immigration, Mobility, and Immigration**


3/8 **Immigration and Labor Supply**


3/13 **The Impact of Import Competition**


3/15 **Housing Booms and Manufacturing Decline**

Spring Break: No Class 3/20 & 3/22

3/27 Sorting for Public Goods


3/29 Natural Amenities and Neighborhood Persistence


4/3 Residential Segregation: Measurement and Social Interactions


4/5 Occupational Segregation: Some Decompositions


4/10 The Rise and Fall of the American Ghetto


4/12 Tipping in American Cities


4/17 Trains I: Flight to the Suburbs

4/19  Trains II: Living Around the Tracks


4/24  Poverty and Public Transportation


4/26  Mismatch Hypothesis


5/1  Immigrant Segregation


5/3  Experimental Evidence: Moving to Opportunity
