

Review for Midterm #2

RE420: URBAN AND REGIONAL ECONOMICS

Midterm #2

- Exam format
 - 15 Questions, 100 points total
 - Multiple Choice Questions (11 questions, 55 points total)
 - Some questions require selecting only one correct answer
 - Others require selecting all that apply
 - Extended-Response Questions (4 questions, 45 points total)
 - In-depth analysis and problem-solving required
 - A bit of basic math may be involved
 - **Recommend to bring calculator**

Midterm #2

- Major source for the midterm study is the **Lecture Notes**
 - Lecture Notes 12 - 16
- Lecture Notes 1 - 11, Videos, Stata practice, additional/optional readings, or guest lecture notes won't be on the exam
 - Their purpose is to support your learning, not to test!
- Additional Office Hour: 10.15 (Friday), 10:30 – 11:30 PM @my office

Lecture 12: Rosen-Roback Model

- The process that the spatial equilibrium is attained
- Basic assumptions of the Rosen-Roback Model
- Drawing Iso-profit curve(s) and indifference curve(s) with different amenity values
- Direction of changes of wages and house prices that the Rosen-Roback predicts (increase, decrease, or ambiguous)

Lecture 13: Neighborhood Choice and Segregation

- Calculation of Dissimilarity Index:
 - Formula WON'T be given
 - What does the DI value mean, broadly speaking.
- 3 theories on driving factors of racial residential segregation
 - Is self-segregation not a problem b/c segregation is minorities' own choice?
 - Was collective action legal or illegal?
- Schelling's Tipping Model: where is unstable equilibrium and why?

Lecture 14: Neighborhood Effects

- How neighborhood can be associated with crimes
 - Social Control Theory and what Sampson, Raudenbush, and Earls (1997) found
 - The concept of Social Learning Theory
- Opportunity Atlas
 - What is Opportunity Atlas and what are the key findings of Chetty, Friedman, Hendren, Jones, Porter (2020) about Opportunity Atlas
- Moving to Opportunity (MTO) Experiment
 - Needs for quasi-experimental design
 - What Chetty, Hendren, Katz, (2016) found from the MTO experiment
 - Neighborhood effect vs. disruption effect by children age groups

Lecture 15: Housing Market Cycles and Bubbles

- Brief history of subprime mortgage crisis
- 4 stylized facts of housing market cycle
- 4 theories that explain bubbles
- Actual calculation of **Imputed-to-Actual-Rent ratio** using the given values of $(V, i, t, d, g, rent)$

Lecture 16: The Four-Quadrant Model of Real Estate Markets

- Factors that leads to the cap rate increase or decrease
- Drawing the four-quadrant model with writing down the equilibrium condition of each quadrant
- If there is change in the market condition (economic boost, construction cost changes, cap rate changes), what is the short-run and long-run response in the market price?

GOOD LUCK!!