

Contents

|                                                                              |                |
|------------------------------------------------------------------------------|----------------|
| Preface                                                                      | <i>page xi</i> |
| 1 Introduction                                                               | 1              |
| 1.1 Nature of the book                                                       | 1              |
| 1.2 Bid rent function approach                                               | 3              |
| 1.3 Scope and plan of the book                                               | 4              |
| <b>Part I Basic theory</b>                                                   |                |
| 2 Locational choice of the household                                         | 11             |
| 2.1 Introduction                                                             | 11             |
| 2.2 Basic model of residential choice                                        | 11             |
| 2.3 Bid rent function of the household                                       | 14             |
| 2.4 Equilibrium location of the household                                    | 23             |
| 2.5 Extended models                                                          | 31             |
| 2.6 Conclusion                                                               | 42             |
| Bibliographical notes                                                        | 43             |
| 3 Equilibrium land use and optimal land use:<br>single household type        | 50             |
| 3.1 Introduction                                                             | 50             |
| 3.2 A preliminary analysis: alternative expressions of<br>bid rent functions | 51             |
| 3.3 Equilibrium land use                                                     | 53             |
| 3.4 Optimal land use                                                         | 63             |
| 3.5 Equilibrium versus optimal                                               | 71             |
| 3.6 Comparative statics                                                      | 75             |
| 3.7 Muth model continued: capital intensity on land                          | 88             |
| 3.8 Conclusion                                                               | 92             |
| Bibliographical notes                                                        | 92             |
| 4 Equilibrium land use and optimal land use:<br>multiple household types     | 97             |
| 4.1 Introduction                                                             | 97             |
| 4.2 Well-behaved bid rent functions and lot size functions                   | 98             |
| 4.3 Equilibrium land use                                                     | 101            |

|                                              |                                                                         |            |
|----------------------------------------------|-------------------------------------------------------------------------|------------|
| <b>viii</b>                                  | <b>Contents</b>                                                         |            |
|                                              | 4.4 Optimal land use                                                    | 113        |
|                                              | 4.5 Equilibrium versus optimal                                          | 120        |
|                                              | 4.6 Comparative statics                                                 | 122        |
|                                              | 4.7 Conclusion                                                          | 129        |
|                                              | Bibliographical notes                                                   | 129        |
| <b>5</b>                                     | <b>Urban aggregates and city sizes</b>                                  | <b>133</b> |
|                                              | 5.1 Introduction                                                        | 133        |
|                                              | 5.2 Causes of urban agglomeration                                       | 134        |
|                                              | 5.3 Urban accounts                                                      | 137        |
|                                              | 5.4 Population supply function and population cost function             | 140        |
|                                              | 5.5 Resource and transport advantages                                   | 150        |
|                                              | 5.6 Fixed costs and city sizes                                          | 151        |
|                                              | 5.7 Production scale economies and city sizes                           | 160        |
|                                              | 5.8 Conclusion                                                          | 169        |
|                                              | Bibliographical notes                                                   | 169        |
| <b>Part II Extensions with externalities</b> |                                                                         |            |
| <b>6</b>                                     | <b>Local public goods</b>                                               | <b>177</b> |
|                                              | 6.1 Introduction                                                        | 177        |
|                                              | 6.2 A preliminary analysis: the externality model of residential choice | 179        |
|                                              | 6.3 Pure city goods                                                     | 184        |
|                                              | 6.4 Congestible city goods                                              | 192        |
|                                              | 6.5 Neighborhood goods                                                  | 200        |
|                                              | 6.6 Superneighborhood goods                                             | 210        |
|                                              | 6.7 Summary and extensions                                              | 218        |
|                                              | Bibliographical notes                                                   | 219        |
| <b>7</b>                                     | <b>Neighborhood externalities and traffic congestion</b>                | <b>226</b> |
|                                              | 7.1 Introduction                                                        | 226        |
|                                              | 7.2 Crowding externalities and density zoning                           | 227        |
|                                              | 7.3 Racial externalities                                                | 243        |
|                                              | 7.4 Traffic congestion and land use for transportation                  | 258        |
|                                              | 7.5 Conclusion                                                          | 266        |
|                                              | Bibliographical notes                                                   | 266        |
| <b>8</b>                                     | <b>External economies, product variety, and city sizes</b>              | <b>271</b> |
|                                              | 8.1 Introduction                                                        | 271        |
|                                              | 8.2 Marshallian external economies                                      | 273        |
|                                              | 8.3 Product variety and monopolistic competition                        | 284        |
|                                              | 8.4 Optimal production processes and first-best policies                | 293        |
|                                              | 8.5 Conclusion                                                          | 302        |
|                                              | Bibliographical notes                                                   | 303        |
| <b>Appendixes</b>                            |                                                                         |            |
| <b>A</b>                                     | <b>Basic mathematics and consumer theory</b>                            | <b>307</b> |
|                                              | A.1 Concave and convex functions                                        | 307        |

|                                                                            |     |
|----------------------------------------------------------------------------|-----|
| <b>Contents</b>                                                            | ix  |
| A.2 Envelope theorem                                                       | 309 |
| A.3 Basic results from consumer theory                                     | 311 |
| B Transport cost and land rent                                             | 315 |
| Bibliographic notes                                                        | 319 |
| C Mathematical notes to the text                                           | 322 |
| C.1 Calculation for Example 2.1                                            | 322 |
| C.2 Derivation of optimality conditions for the HS model<br>(Section 3.4)  | 322 |
| C.3 Proof of Property 3.3                                                  | 325 |
| C.4 Proof of relation (3.83)                                               | 328 |
| C.5 Proof of Property 3.4                                                  | 329 |
| C.6 Proofs of Properties 4.10 and 4.11                                     | 331 |
| C.7 Derivation of optimality conditions for the HS model<br>(Section 4.4)  | 337 |
| C.8 Proof of relation (4.59)                                               | 338 |
| C.9 Proof of Property 4.13                                                 | 339 |
| C.10 Proofs of Properties 5.5 and 5.6                                      | 340 |
| C.11 Proof of Property 5.8                                                 | 341 |
| C.12 Comparison of equilibrium rent curves (Section 7.3.1)                 | 342 |
| C.13 Derivation of the optimality conditions for the HS <sub>T</sub> model | 343 |
| C.14 Calculation for comparative statics of Table 8.1                      | 347 |
| References                                                                 | 350 |
| Author index                                                               | 360 |
| Subject index                                                              | 362 |