Table of Contents

Preface

1

2

Part One

What Are Urban Areas? 3
Why Urban Areas? 7
Scale Economies, Input Substitution, and Urban
Areas 8
Agglomeration Economies 20
Limits to Urban Size 21
Preindustrial Cities in the United States 21
Preindustrial Cities Elsewhere 22
Industrialization 23
Industrialization in the United States 24
Steel 26
Construction Innovations 26
Subways and Electric Trolleys 27
Electric Power 29
Internal Combustion Engines 29
Summary 30
Questions and Problems 31
References and Further Reading 31
Comparative Advantage and Regions 33
Theoretical Principles of Interregional Firm Location
Decisions 33
Determinants of Firm Location When Regions
Differ 35
Footloose Industries and Amenity Orientation 38
Regions and Regional Shifts in the United States, 1790 to
1990 39
Colonial Times 39
Early Development 40
The Railroad Era and Beyond 43
Summary 51
Questions and Problems 52
References and Further Reading 52

Basic Ideas and Historical

1

2

Background

The Nature of Urban Areas

3	Urbanization and Economic Growth in the United States 54
	A Digression on Disease 54 Long-Term Trends 56 Recent Trends 60 National Employment 60 MSA Population 61 MSA Employment 62 MSA Manufacturing Employment 65 Summary 70
	Questions and Problems 71 References and Further Reading 71
4	Trends in Sizes and Structures of Urban Areas 72
	Sizes of U.S. Urban Areas 73 Estimates of MSA Size Distributions 77 Suburbanization 81 Summary 85 Questions and Problems 86 References and Further Reading 86
Part	Two Theoretical Foundations 88
5	Introducing Land and Land Rents into Price
	Theory 89
6	Theory 89 Some Terms 90 Theory of Land Rent and Land Use 91 Welfare and Ethical Aspects of Land Rent 94 Summary 98 Questions and Problems 99
6	Some Terms 90 Theory of Land Rent and Land Use 91 Welfare and Ethical Aspects of Land Rent 94 Summary 98 Questions and Problems 99 References and Further Reading 99

	Rise in Income 123 Transport Cost 124
	Realistic Urban-Location Patterns and Urban-Simulation
	Models 127 Summary 129
	Questions and Problems 129
	References and Further Reading 130
7	A Critical Examination of the Model 131
	Statistical Evidence 131
	Evidence 134
	Conclusion 144 Criticisms and Extensions 145
	Rural-Urban Boundary 147
	Speculation 148
	Topography 151 Summary 152
	Questions and Problems 152
	References and Further Reading 153
8	Welfare Economics and Urban Problems 155
	What Is Welfare Economics? 155
	Criteria of Economic Performance 157
	Conditions for Economic Efficiency 158 Pure Consumption Model 158
	Production-Consumption Model 161
	Variable Input/Output Model 164
	Some Causes of Resource Misallocation 167 Monopoly and Monopsony 167
	External Economies and Diseconomies 167
	Externalities in an Urban Context 169
	Taxes 170
	Summary 173 Questions and Problems 173
	References and Further Reading 174
_	and the second discovered to the second seco
Part	Three Urban Problems and the Public Sector 175
	Sector 175
9	The Problem of Poverty 176

Measures of Poverty Demography of Poverty

Comparative Statics: The Equilibrium Effects of Changes in

123

Income and Transport Cost

Race and Poverty 183
Public Programs for Reducing Poverty 185
Macroeconomic Policies 185
Income-Maintenance Policies: Theory 186
Redistribution Programs in the United States 188
Income-Maintenance Policies: Facts and
Institutions 189
Further Possible Steps for Reducing Poverty 193
Summary 194
Questions and Problems 194
References and Further Reading 195
Therefore and I are the state of the state o
The Market for Housing 196
Quantity and Price Measures for Housing 197
Quantity 197
Price 199
Relationship Between Value Price and Rental
Price 199
Cost of Capital: Complications 202
Inflation 202
Federal Income Taxation 204
Inflation and Income Taxation Combined 205
The Market for Housing 206
Demand for Housing 206
Demand for Housing 206 Empirical Estimates of Demand for Housing 207
Empirical Estimates of Demand for Housing 207 Housing Supply 209
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211 Development Industry 213
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220
Empirical Estimates of Demand for Housing 207 Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222 Secondary Mortgage Markets 227
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222 Secondary Mortgage Markets 227 Taxation of Housing 228
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222 Secondary Mortgage Markets 227 Taxation of Housing 228 Rental Housing 229
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222 Secondary Mortgage Markets 227 Taxation of Housing 228 Rental Housing 229
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222 Secondary Mortgage Markets 227 Taxation of Housing 228 Rental Housing 229 Owner-Occupied Housing 230
Empirical Estimates of Demand for Housing Housing Supply 209 Market Equilibrium 211 Development Industry 213 Stock of Housing 215 Summary 217 Questions and Problems 218 References and Further Reading 218 Housing Finance and Investment 220 Defining Some Terms 221 Housing Ownership Forms and Finance 222 Ownership Forms 222 Housing Finance 222 Secondary Mortgage Markets 227 Taxation of Housing 228 Rental Housing 229 Owner-Occupied Housing 230 Comparison 230

Questions and Problems 237 References and Further Reading 238	
Housing Problems and Policies 239	
Housing Problems 243 Abandonment 246 An Economic Decision 247 Some Effects of Abandonment 250 Filtering 251 Neighborhood Effects 252	
Slums and Neighborhood Effects 252 Neighborhood Effects in Stable Neighborhoods 254 Neighborhood Attachment 255	
Racial Segregation and Discrimination 256 Segregation 257 Discrimination 259 Homelessness 263	
Housing Policies 264 Owner-Occupied Housing 264 Housing the Poor 265 Why Subsidize Housing? 271 Summary 273	
Questions and Problems 273 References and Further Reading 275	
Urban Transportation 278	
Personal Transport 279 Trends in Urban Transportation 280 Demand for Urban Transportation 284 Congestion and Pricing 287 Short-Run Issues 287 Long-Run Issues 290	
Spatial Variation in Optimum Congestion Realistic Pricing Possibilities 294 Cost and Supply of Urban Transit 297 Automobile 298 Bus and Subway 298 Comparative Costs 299	293
Effects of Transportation on Urban Structure Transportation and Urban Poverty 307 Urban Freight Transport 308 Private Costs 308 External Costs 309 Summary 311	305

	Questions and Problems 312 References and Further Reading 314
14	Local Government 315
	System of State and Local Governments 315 Finance 316 Trends in State and Local Finance 316 Overview of Big-City Finances 323 Reasons for Central-City Fiscal Problems 327 Goods and Services 334 Goods Provided by Local Governments 335 Tiebout Hypothesis 338 Some Special Problems of Education 347 Police Protection and Crime 360 Regulation 361 Regulated Enterprises 361 Land-Use Regulation 362 Summary 366 Questions and Problems 367 References and Further Reading 367
15	Pollution and Environmental Quality 370
	Facts, Institutions, and Basic Economics 371 What Is Pollution? 371 Materials Balance 372 Amounts and Effects of Pollutants 376 Alternative Environmental Policies of the Government 384 Environmental Amenities and Urban Economics 391 High Density 391 Amenities, Rents, Wages, and Location 392 Summary 396 Questions and Problems 397 References and Further Reading 397
16	Sizes and Structures of Urban Areas 399
	Size Distribution of Urban Areas 400 Theory 400 Policy Questions 403 Suburbanization 406 Interurban Variation 408 Historical Trends and International Comparisons 410 Market Failure? 411 City-Suburban Income Differences 417

Return-to-the-City Movement

	Central-City Population Loss 422
	The Economic Decline of Central Cities 424
	Summary 429
	Questions and Problems 430
	References and Further Reading 430
17	Urbanization in Developing Countries 433
	Characteristics of Developing Countries 434 Income 434
	Income Growth 434
	Population Growth 435
	Level of Urbanization 435
	Implications of Urbanization 438
	Growth of Population 438
	Size of the Urban Sector 439
	Poverty and Income Distribution 445
	Housing 451
	Slums and Squatters 452
	Urbanization and Capital Investment Needs 455
	Summary 456
	Questions and Problems 457
	References and Further Reading 457
	Appendix Regression Analysis 459
	Acknowledgments 462
	Index /62