

# Urban Economics



## Introductory Lecture



## Model of a Rural Region

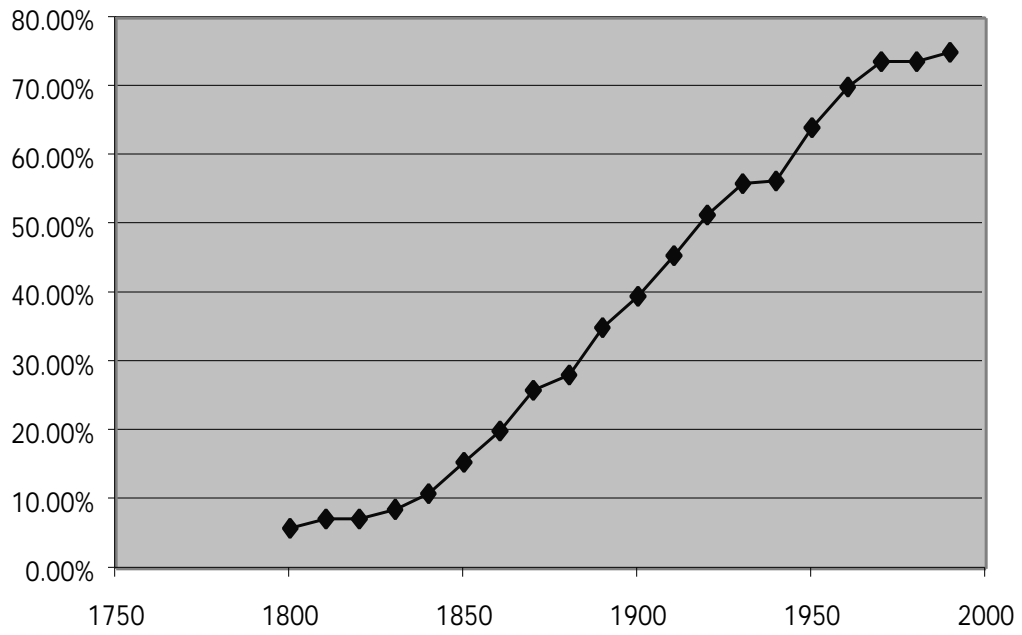
- Inputs. Labor and land
- Two goods. Wheat and cloth
- Equal productivity
- No scale economies in production.  
Constant Returns to Scale
- Travel by foot.



## Implications

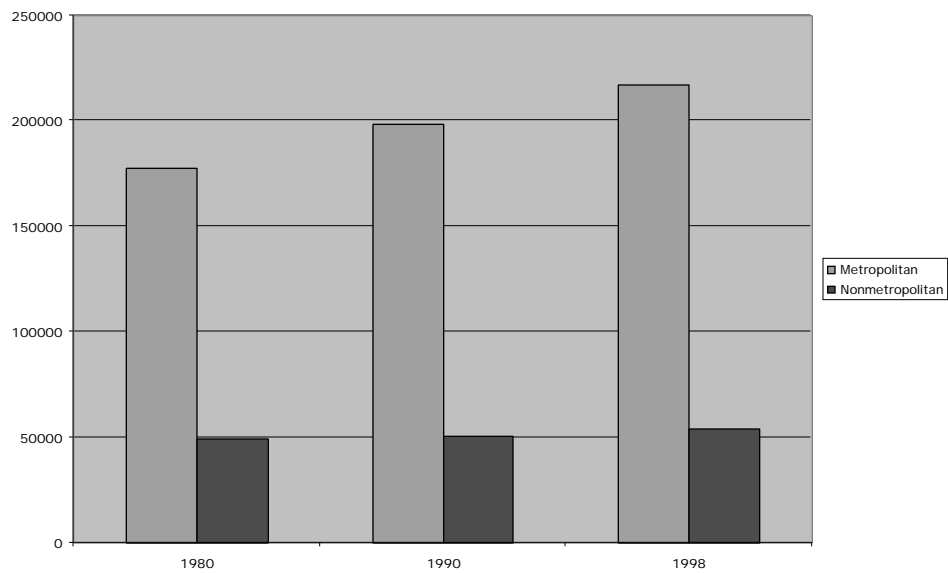
- Every household will produce its own wheat and cloth
- Factory production would be more expensive than home production because of travel costs.
- Population uniformly distributed. No cities

Percent of U.S. Population Living in Urban Areas, 1800-1990



# Percent of U.S. Population Living in Urban Areas

Metropolitan vs Nonmetropolitan Population





## Why Cities?

- Comparative advantage, trade and economies of scale in transportation
- Economies of scale in production
- Agglomeration Economies
  - Localization Economies
  - Urbanization Economies
- Other reasons?



# Urban Economics

*“Urban economics is the study of the location choices of firms and households and of the consequences of those decisions.”*

Adapted from O’Sullivan, p.2. Added text in red.



## Census 2000 Urban Facts Pop Quiz

- What is the fastest growing metropolitan statistical area?
- What is the largest consolidated metropolitan statistical area?
- What is the second largest consolidated metropolitan statistical area?
- What are the ten biggest cities in the United States?