

Urban and Regional Economics  
Field Exam

January 12, 2011

Answer the following three questions as completely (but succinctly) as possible. Note that they are equally weighted.

1. More than a half century ago, a famous economist opined:

“local government represents a sector where the efficient allocation of public goods... need not take a back seat to the private sector.”

Consider a metropolitan economy composed of jurisdictions that tax real property and supply publicly produced goods.

- a. Outline a set of conditions that are sufficient for the economist’s assertion to be correct.
  - b. Evaluate the normative significance of the statement in a modern metropolitan economy, for example, the San Francisco Bay Area. Be concise.
2. Consider a metropolitan economy with a single worksite employing households of different incomes and preferences. Compare the spatial pattern of housing prices in the circumstances in which housing is produced from land and non-land inputs with the circumstance in which all housing is identical. In addressing this problem, be sure to make all assumptions explicit.
  3. Suppose you had a sample of sites in a metropolitan economy. For the firm occupying each site, suppose you could observe its labor costs, capital costs, rents and output at two points in time. What evidence would lead you to conclude that there were “economies of agglomeration” for firms or industries in the region? Define clearly what you mean by “economies of agglomeration” and be specific about the evidence that would support your conclusion.