ESTEBAN ROSSI-HANSBERG
University of Chicago

On the Internal Structure of Cities

We analyze the location and densities of business and residential areas in a circular city. In the equilibrium of the model we study, firms balance the external benefits from locating near other producers against costs of longer commutes for workers. Surprisingly, perhaps, an equilibrium city need not take the form of a central business district surrounded by a residential area. We propose an algorithm capable of dealing with any possible configuration and then use it to see which cities are consistent with which values of the underlying fundamental parameters. Joint work with Robert E. Lucas Jr.