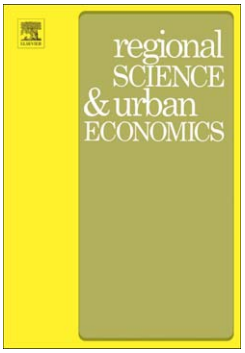

Location competition in an Alonso-Mills-Muth city

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Location competition in an Alonso-Mills-Muth city

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Abstract

The purpose of this paper is to explain the decentralization process of an urban spatial structure in terms of the strategic interactions between firms. For that purpose, we expand the Hotelling model of a linear city to incorporate two aspects of the urban spatial structure, namely, the variation in land rent over space and the endogenous determination of city limits, both of which play important roles in the standard Alonso-Mills-Muth model. Our analysis reveals, among others, that decentralization occurs in a city when commuting costs decline more rapidly than shopping travel costs.

Keywords: agglomeration; city limits; commuting costs; Hotelling model; land rent; linear city; location game; maximum dispersion; shopping travel costs; strategic interaction; urban spatial structure

JEL Classification Numbers: L13; R10; R32

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