

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

Subsidies for intracity and intercity commuting

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The paper analyzes subsidies for intracity and intercity commuting in an urban economics framework with two cities and agglomeration externalities, where workers may commute within and between cities. First, commuting subsidies serve to internalize agglomeration externalities: Intracity commuting subsidies give incentives to move to the larger city and intercity commuting subsidies make residents of the periphery commute to the core. Second, if agglomeration rents are locally captured, commuting subsidies act as a welfare enhancing transfer from the core to the periphery.

Donnerstag, 07. Mai 2009

13:00 Uhr

Sitzungssaal 126a