Who Lives Where in the City? Amenities, Commuting and Income Sorting

RÉSUMÉ

We study the sorting of income-heterogeneous consumers within cities. We allow for non-homothetic preferences and locations that are differentiated by their distance to employment centers and accessibility to exogenous amenities. The residential equilibrium is driven by the properties of an amenity-commuting aggregator obtained from the primitives of the model. Using micro-data on the Netherlands, we find that doubling the amenity level, (resp. employment accessibility), attracts households whose incomes are 2.5% (resp. 4% higher). Using the model's structure and estimated parameters, we predict the impact of counterfactual changes in accessibility and amenities on the social structure of Dutch cities.

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