## CONTENTS

List of figures iii  
List of tables iv  
List of symbols v  
Preface vii  

1 Introduction 1  
1.1 Policy competition and location 3  
1.2 Central questions 6  
1.3 An overview of the thesis 8  
1.4 Reading guide 12  

2 Policy interaction and welfare 15  
2.1 Introduction 15  
2.2 Local policy competition: policy effects and interaction 17  
2.3 Model setup 19  
2.4 Strategic expenditure 27  
2.5 Conclusion 39  
2.A Condition for incomplete specialization 42  
2.B Operating profits as a function of the number of firms 43  

3 Urban structure and policy lock-in 45  
3.1 Introduction 45  
3.2 An intuitive exposition of the model 48  
3.3 A model of two cities 51  
3.4 Tax setting 57  
3.5 Conclusion 67  

4 Urban politics and the housing market 71  
4.1 Introduction 71  
4.2 Model 75  
4.3 Equilibrium and policy 80
## Contents

4.4 Policy in an open city ............................................ 87
4.5 Conclusion ....................................................... 91
4.A Wealth heterogeneity in land prices and political preferences 93

5 Infrastructure investment: population and jobs 97
5.1 Introduction ..................................................... 97
5.2 Model ........................................................... 100
5.3 How do infrastructure investments change the economy? 120
5.4 Conclusion ....................................................... 123

6 Tax competition with commuters and agglomeration 125
6.1 Introduction ..................................................... 125
6.2 Model ........................................................... 129
6.3 Government policy ............................................. 135
6.4 Central government intervention on the land market .... 142
6.5 Conclusion ....................................................... 147
6.A The optimal size of the commuting flow ................... 150
6.B The optimal residential allocation ......................... 151
6.C Subsidy effects on the number of firms and residents 151

7 Competing for high-skilled workers 155
7.1 Introduction ..................................................... 155
7.2 Amenities in the competition for high-skilled workers 157
7.3 Competition for high-skilled workers in a two city setting 159
7.4 Trade and policy-driven specialisation .................... 169
7.5 Conclusion ....................................................... 180
7.A Stability of diversified cities ................................. 182
7.B The net mobility effect ....................................... 183

8 Conclusion 187
8.1 A summary of the results .................................... 188
8.2 Scope for higher-level government intervention .......... 190
8.3 Methodological contributions ............................... 191
8.4 Topics for future research ................................... 193

Nederlandse samenvatting (summary in Dutch) 197

Bibliography 203