

OLLSCOIL NA HEIREANN, GAILLIMH  
NATIONAL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATIONS 2000

**URBAN ECONOMICS - EC 367**  
3<sup>rd</sup> Year Arts & Commerce Students

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Time allowed: **TWO** hours  
Answer any **THREE** questions

1. Bid rent curves for firms with high elasticity of substitution for land are very steep. Discuss.
2. Consider the situation where a developer X intends to build on a considerable part of the garden of a Victorian mansion which he has bought. Local residents, designated party Y, regard this development as a loss of local amenity. X has two possible schemes. Scheme 1 is for a block of flats, and the higher the number of floors (to increase the number of flats), the greater is the loss of amenity. Scheme 2 is for low-rise housing which still produces some loss of amenity according to the number of houses on the site. Show how bargaining might be used to mitigate the divergence of interest between X and Y.
3. Land prices and urban sprawl may be still greater if there is a tax imposed on development gain. In your discussion contrast the effect of a 25 per cent tax versus a 50 per cent tax on transactions in development land in the urban fringe.
4. In general terms urban redevelopment takes place when the present value of the expected flow of future net returns from the existing use of the land resource becomes less than the capital value of the cleared site. Discuss this model. Show how a decrease in interest rates will affect the timing of the redevelopment decision.
5. It is reasonable to use cost-benefit analysis as a justification for road investment provided it is clear that the justification is essentially in terms of consumer welfare, and that the broader economic effects of road investment are not fully understood. Discuss this statement. In doing so refer to the notion of a 'sustainable road transport policy' as found in the *National Roads Needs Study*.
6. The traditional view of modelling urban areas as monocentric cities and systems of hierarchical networks is now less useful than the concepts of 'region' cluster' and 'network' which describe interdependent and polycentric patterns. Discuss this statement.