Seminar Announcement F08

Policy Analysis and Management *presents:*

David Ridley

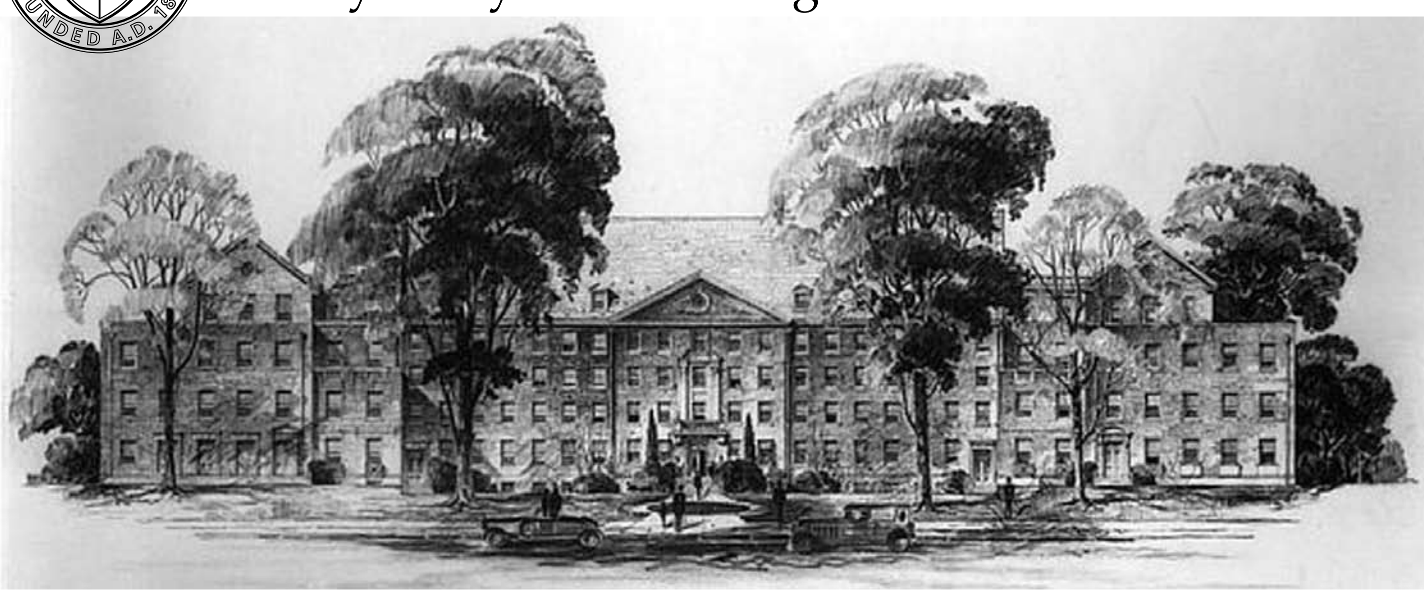
Duke University, The Fuqua School of Business

Tuesday, September 9th, 3:30 PM, The Rushmore Room, MVR 114

Retail Zoning and Competition

Zoning is one of government's most powerful tools for influencing local competition. Economists have assumed that zoning decreases competition, but we demonstrate that it can have the opposite effect. Zoning can increase competition by forcing sellers closer together, which can decrease prices and drive out sellers. Thus, zoning can reduce prices and external costs, but decrease variety and increase travel costs for consumers traveling from outside the zoned area. Surprising predictions follow: price rises with the number of sellers, and mean distance increases with the number of sellers, both due to zoning. In one of the first econometric analyses to measure retail zoning, we find evidence that mean distance rises with the number of sellers, the number of sellers rises with less restrictive zoning, and distance between sellers falls with greater product differentiation.

Cornell University
Policy Analysis and Management



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