Readers of this blog are well aware that fossil fuels aren't correctly priced to reflect the social cost of their consumption. Many economists believe that the U.S gas tax should be at least $1 higher per gallon. In the absence of such Pigouvian Pricing, there is a negative carbon externality associated with living further from where you work (especially if you drive to work).

Urban economists have long sought to model the joint choice over where people work and where people live. If people first find a job (i.e join the UCLA faculty) and then find a home, then this is a sequential process. But, there may be other people who live in an area and then find a job nearby (social networks). The Crimson today has a piece highlighting a new "natural experiment" taking place at Harvard. The Engineering School is moving to Allston. Will new hires and graduate students at this School now increasingly locate in residential Allston communities rather than living close to Harvard Square? If "yes", then this will be evidence in favor of the "place of work" as anchor hypothesis. Public transit use patterns could also change because Harvard Square is along a T-station while the new Allston line would be a slightly long walk from Harvard Square.

The Engineering School move also offers a test of intellectual agglomeration. If some of the Engineering faculty are moving further from Harvard Square, will this reduce the productivity of colleagues who these folks were working with who remain on the main campus? Does physical proximity matter for producing new ideas?