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Urbanization and localization economies Urbanization is generally attraction of large population in an urban area mainly from the rural areas.

Urbanization economies may be termed as a cutback in production costs resulting from concentration of activities in an urban region (Henderson and Thisse 2004). In fact, they are benefits accrued from large population working on various activities concentrated in one central point in an urban area. These benefits include; reduced labor cost, sharing of inputs and sharing of knowledge among others. On the other hand localization economies are benefits enjoyed as a result of concentrating activities near a certain facility for instance, a source of raw materials, transport facility, an institution of higher learning and many others. Localization aids in reducing an enterprise's expenses such as transport cost and damage on raw materials resulting from long distance transportation.

Spatial equilibrium

Spatial equilibrium assumption is the notion that firms and workers are different across space and the research on urban areas is distinct from that of nations. Basically, urban economists recognize the existence of agglomeration economies which arise when productivity increase with density; however, assessing the enormity of those economies is a real challenge.

Baseline spatial equilibrium and study of urban economics

The assumption of the existence of a baseline spatial equilibrium provides a map to understanding the role of agglomeration on the economy. In essence, the assumption gives a projection of how workers and firms can cooperate to ensure maximum benefits. Additionally, one gets an overview of urban

economics which assists in handling the economic issues at hand.

Consequently, the assumption assists in identifying the empirical regularities in urban economics, for instance, people are more productive in dense population and that high wage in urban areas are usually counterbalanced by high cost of living.

Work cited:

Henderson, Vernon and Thisse, Jacques-François. Handbook of regional and urban economics. / Volume 4, Cities and geography. Amsterdam; Boston: Elsevier North Holland, 2004. Print.