

Specifically, in 1980 the difference in the average cost of hou

t.¹¹

individual in metropolitan area c as the average of the monthly cost of renting a 2 or 3

cost: $E(NHP_{ct}|HP_{ct}) = \hat{HP}_{ct}$

When I control for fixed effects for metropolitan areas in colu

where r_{Hc} is the cost of housing in city c in the neighborhoods where skilled workers live,
and A_{Hc}

with a higher than average initial share of college graduates and cost of housing. Similarly,

suggests that the increase in the college premium in a city caused by a demand shock (IV

Table 2: Relative Importance of the Main Aggregate Components in the BLS Consumer Price Index (CPI-U)

| | |
|------------------------------------|--------------|
| Housing | 42.7% |
| Shelter | 32.8% |
| Fuels and Utilities | 5.3% |
| Other Housing | 4.6% |
| Transportation | 17.2% |
| Food and Beverages | 14.9% |
| Medical Care | 6.2% |
| Education and Communication | 6.0% |
| Recreation | 5.5% |
| Apparel | 3.7% |
| Other Goods and Services | 3.5% |

Notes: Entries are the share of the main aggregate components of the CPI-U. For more

Table 3: Changes in the Cost of Living, by Education Group

| | 1980 | 1990 | 2000 | Percent Increase 1980-2000 |
|-------------------|------|------|------|----------------------------------|
| | (1) | (2) | (3) | (4) |
| <u>O</u> cial CPI | | | | |

Appendix Table 1. Estimates Based on an Alternative Definition of Rental Cost

| | 1980 | 1990 | 2000 | 1980-2000 Increase | Percent of Nominal Increase Accounted for by Cost of Living |
|--|------|------|------|-----------------------|--|
|--|------|------|------|-----------------------|--|

Figure 2: The Distribution of Average Rental Costs Across Metropolitan Areas: 2000 Cross-

