

Universitat Autònoma de Barcelona  
Facultat d'Economia i Empresa  
Master in Applied Research in Economics and Business

**Geographical Economics**

Academic Year: 2015-2016

Fall Term

Lectures: 16:30-19:30 (see calendar)

Webpage: <http://rosellanicolini.com/mareb15/index.htm>

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Lectures: January 07<sup>th</sup>, 08<sup>th</sup>, 12<sup>th</sup>, 15<sup>th</sup>, 18<sup>th</sup>, 20<sup>th</sup>, 22<sup>nd</sup>, and 25<sup>th</sup> 2016.

Room: Aula seminari A, (Facultat d'Economia i Empresa)

Exam schedule: January 29<sup>th</sup> 2016 (16:30-19:30) – Room: AULA 16

### **Contents**

The aim of this course is to provide a basic set of economic concepts that are broadly used to understand relevant issues in geographical economics.

The course will be structured around two dimensions. In the former, we will discuss a selected number of concepts that are relevant to understand the importance of the geographical dimension in economics, whereas in the latter we will present some applied issues associated with the local development and territorial organization. The format of the course will privilege the discussion and interpretation of applied issues by referring to the modern neoclassical frameworks in the field.

The lectures will be based partly on a textbook and partly on original articles: active participation by students is strongly encouraged.

## **Lecture outlines**

### **PART 1:**

#### **1.1 Introduction: geography and economics**

We present an overview of the course as well as we introduce the basic toolbox for dealing with the topics to be discussed in this course. The focus will be on the understanding of the importance of the geographical dimension in the economic theory and on the definition of externalities. A special attention will be addressed to the discussion of the gravity models.

#### **Main references:**

[1] Brakman, S., Garresten, H., van Marrewijk, Ch (2009): "The New Introduction to Geographical Economics", Cambridge University Press. Chapters: 1 & 2.

[2] Combes, P.Ph., Mayer, Th., Thisse, J.F. (2008): "Geographical Economics", Princeton University Press. Chapters: 1 & 2

## 1.2 The core model of geographical economics

We introduce the theoretical workhorse that emphasizes the main factors driving location decisions. We also explore the conditions yielding the creation of local clusters and firm mobility. We will also tackle the question of the determinants of the foreign direct investment.

### Main references:

- [1] Brakman, S., Garresten, H., van Marrewijk, Ch (2009): “The New Introduction to Geographical Economics”, Cambridge University Press. Chapters: 3 & 4.
- [2] Combes, P.Ph., Mayer, Th., Thisse, J.F. (2008): “Geographical Economics”, Princeton University Press. Chapters: 3.

## 1.3 The sources of spatial inequality

We overview the importance of the spatial dimension in understanding the creation of spatial inequalities as well as the territorial unbalances.

### Main references:

- [1] Brakman, S., Garresten, H., van Marrewijk, Ch (2009): “The New Introduction to Geographical Economics”, Cambridge University Press. Chapter: 8.
- [2] Romer, D. (2011): *Advances Macroeconomics*, 4<sup>th</sup> edition, McGraw Hill. Chapters 1, 2 & 4

Further readings will be suggested in class.

## PART 2:

### 2.1 Theories and evidence of spatial agglomeration

In this part, the main theories explaining agglomeration of economic activity will be reviewed. We will see how to measure the degree of agglomeration of economic activity as well as the effects of agglomeration on productivity.

### Main references:

- [1] Puga, D. (2010) “The magnitude and causes of agglomeration economies”, *Journal of Regional Science*, 50, pp. 203-219.
- [2] Combes, P.-P., T. Mayer, and J.-F. Thisse (2008) *Economic Geography*, NJ: Princeton University Press
- [3] Rosenthal, S.S. y W.C. Strange (2008) “The micro-empirics of agglomeration economies”, en R.J. Arnott y D.P. McMillen (eds.) *A companion to urban economics*. Blackwell Pub.
- [4] Brakman, S., Garresten, H., van Marrewijk, Ch (2009): “The New Introduction to Geographical Economics”, Cambridge University Press. Chapter: 10.

### 2.2. Determinants of local development

In this part we will focus the attention on some of the main determinants of local development: human capital, innovation and entrepreneurship.

### Main references:

- [1] Audreusch, D.B. and M.P. Feldman (2004) “Knowledge spillovers and the geography of innovation”, in Henderson, J.V. and J.-F. Thisse (eds.) *Handbook of Regional and Urban Economics*, Vol. 4, Elsevier B.V.
- [2] Fischer, M.M. and P. Nijkamp (2009) “Entrepreneurship and regional development” in Capello, R. and P. Nijkamp (eds.) *Handbook of regional growth and development theories*. Edward Elgar.
- [3] Faggian, A. and P. McCann (2009) “Human capital and regional development” in Capello, R. and P. Nijkamp (eds.) *Handbook of regional growth and development theories*. Edward Elgar.

## 2.3 Clusters: strategies for local development

The analysis of clusters has attracted considerable interest over the last decades. Cluster development is now widely viewed as a key pillar of local governmental policy. Different approaches have been developed to explain the existence and functioning of clusters. These different approaches will be reviewed. Also clusters are supposed to have a differential positive effect on innovation, entrepreneurship and labour market performance. We will revise empirical evidence on these aspects.

### Main references:

- [1] Porter, M.E. (2000) "Location, competition, and economic development: local clusters in a global economy", *Economic Development Quarterly*, 14(1), pp. 15-34  
[2] Duranton, G., Ph. Martin, Th. Mayer, and F. Mayneris (2010) *The Economics of Clusters. Lessons from the French Experience*. O.U.P.

### Grading:

In order to pass the exam, each student has to fulfil the following requirements:

- Participating to the in-class activities and get a score of at least 5(/10)
- Turning in the assigned essay at the due deadline and get a score of at least of 5(/10)
- Participating and passing a final exam with a minimum score of 5(/10)

Grading policy: each instructor is in charge of evaluating the material correspondent to his own teaching topics but the final grade of each activity will be decided jointly. The final grade of the course will be a weighted average of the individual grades of the previous three activities according to the following ponderation

1. **In class activity and participation: 5%**
2. **Final exam (70%):** the (written) final exam would consist in questions organized in different subsections tackling the topics discussed in class (some examples of questions are posted on the webpage of the course).  
Date: January 29<sup>th</sup> 2016  
Time: 16:30-19:30.  
Place: AULA 16
3. **Individual essay (25%):**  
The purpose of this exercise is to allow students to provide a small and original piece of research by referring to the subjects discussed in class. The project should not be more than 10 pages (around 4000 words, double-spaced).

Students may **EITHER**

- **Write a critical review by referring to one (or more) articles cited below:**  
The critical review is an appraisal of a piece of research. It needs to be built to question an issue or an idea underlying a piece of research. The idea is to select a research question and discuss the results provided by the literature up to the date.  
For more information about how to write a scientific critical review, you may refer to the following material:  
<https://student.unsw.edu.au/writing-critical-review>  
<http://library.queensu.ca/inforef/criticalreview.htm>  
<http://library.queensu.ca/inforef/criticalreview.htm>

**OR**

- **Provide an empirical exercise by replicating the econometric exercise in one of those papers with different data.**  
This exercise requires that students find comfortable in managing data sources, econometric techniques and econometric software.  
Suggestions for potential suitable data sources:

For European countries: <http://ec.europa.eu/eurostat/data/database>  
 For US: <https://www.nhgis.org/> (free online registration is required)

Articles of reference:

Andrés Faíña, J. and López-Rodríguez, J. (2006): “Market Access and human capital accumulation: the European Union case”, *Applied Economics Letters*, vol. 13, pp. 563-567.

Glaeser, E. et al. (1992) “Growth in cities”, *Journal of Political Economy*, vol. 100, pp. 1126-1152;

López-Rodríguez, J. and Andrés Faíña, J. (2006): “ Does distance matter for determining regional income in the European Union? An approach through the market potential concept”, *Applied Economic Letters*, vol.13, pp. 385-390;

Neves Sequeira, T. and Rodrigues, M. (2009): “Social or human infrastructure ? Re-examing essential determinants of output per worker among countries”, *Applied Economics Letters*, vol. 16, pp. 1455-1459;

Yao, S. and Zhang, Z. (2000): “Economic growth and diverging clubs: a case study of the Chinese regions”, *Applied Economics Letters*, vol.9, pp. 833-83;

Students are required to get in touch with one of the professors of the course to communicate their decisions before January 20<sup>th</sup> 2016 (in class or by email).

Students may be also free to select another article to ground their review or empirical exercise. In this case, they are also required to get in touch with one of the instructors to discuss the content of their essay and evaluate its feasibility.

In choosing an alternative paper, be aware that the paper has to tackle one of the topics we discussed in class (or be very close to them).

**The complete version of the essay has to be turned in on paper support on (or before) February 05<sup>th</sup> 2016. Documents delivered with delay will not be graded.**

**Calendar: provisional schedule**

	<b>Date</b>	<b>Topic</b>
<b>Part 1:</b> Instructor: Rosella Nicolini	<b>January 07<sup>th</sup> 2016</b>	Introduction: geography and economics
	<b>January 08<sup>th</sup> 2016</b>	The core model of geographical economics
	<b>January 12<sup>th</sup> 2016</b>	Geography, trade and mobility
	<b>January 15<sup>th</sup> 2016</b>	The sources of spatial inequality
<b>Part 2 :</b> Instructor : José Luis Roig Sabaté	<b>January 18<sup>th</sup> 2016</b>	Theories and evidence of spatial agglomeration
	<b>January 20<sup>th</sup> 2016</b>	Determinants of local development
	<b>January 22<sup>nd</sup> 2016</b>	Determinants of local development
	<b>January 25<sup>th</sup> 2016</b>	Clusters
	<b>January 29<sup>th</sup> 2016</b>	<b>Final Exam</b>
	<b>February 05<sup>th</sup> 2016</b>	<b>Turn in Final Report</b>