Geographical Economics   Winter 2013/2014
Assignment #1: Due December 9th 2013

General information

This problem set MUST be solved individually. Each student MUST turn in the copy of the solution on paper support. Do not forget to identify at the beginning of each page. There are not specific requirements about the format (font, lines etc.) of the document students are expected to turn in.

The solution of this assignment MUST be turned in at the beginning of the class. No delay or extra time will be granted. Exercises #1, #2, score 3 points each and exercise #4 scores 4 points.

1   Exercise #1

Download from the webpage of the course the xls file "Market potential.xls". Compute the market potential for Lombardia, Baden Württemberg and Catalunya using GDP per-capita data. Then, plot your results in a graph and discuss them. Turn in a table with the quantitative value of the market potential for each year and each region

as well as the graph with the relative discussion.

2   Exercise #2

Download the following article:

F. Alcalà and A. Ciccone (2004): "Trade and Productivity",*Quarterly Journal of Economics*, vol. 119(2), 613-646.

Write a short review (max 3) pages pointing out:

1. The main result(s).
2. The empirical strategy implemented.
3. (Possible) limitations.
4. Potential extension(s) of this contribution.

3   Exercise #3

Collect information about the export flows from Catalunya by visiting the IDESCAT webpage (http://www.idescat.cat/economia/inec?tc=5&id=5903&dt=201100&lang=en). You need also to collect information about

- Catalan (nominal) GDP
  (http://www.idescat.cat/economia/inec?tc=5&id=5107&dt=201100&lang=en),

- (nominal) GDP by (principal) commercial partners
  (http://epp.eurostat.ec.europa.eu/portal/page/portal/national_accounts/data/database)

- and distance data can be obtained by visiting http://www.viamichelin.es/ or any other similar website.

Consider one (or two) potential Catalan export destination(s) and estimate the basic gravity model in order to understand to which extend the key-standard variables help to understand the export intensity toward this destination.

Beyond discussing the results, provide the FULL OUTPUT you get from STATA or any other econometric software.

Which is the coefficient you get in correspondence of the distance variable ? Is it in line with the general findings in economic literature ?

[Hints: it is better to avoid to introduce time dummy variables because of the low variance of the series you are using].