

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

Geographical Economics

Academic Year: 2013-2014

Fall Term

Lectures:

Monday: 16:30-19:30

Wednesday 16:30-19:30

Webpage: <http://rosellanicolini.com/master/2013/index.htm>

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Lectures: November 20th, 25th, December 02nd, 04th, 09th, 11th, 16th, 18th 2013.

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

Exam schedule: January 09th 2014 (16:30-19:30) – Room: Aula 13 (Facultat Economia i Empresa)

Contents

The aim of this course is to provide a basic set of economic concepts that are broadly used to understand relevant issues in aggregate economics and matter for internationalization issues. In this respect, we are targeting to study the key economic tools bridging the macro with the micro dimension of agents' decisions.

The course will be structured around two dimensions. In the former we will discuss a selected number of macroeconomics concepts that are relevant in the internationalization programme, 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 empirical 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.

An important goal of the course is to focus on some selected topics and discuss recent issues in trade theory: active participation by students is strongly encouraged.

Lecture outlines

PART 1:

1.1 Introduction: background and open questions

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.

Main references:

[1] Romer, D. (2011): *Advances Macroeconomics*, 4th edition, McGraw Hill. Chapters 1 and 2

1.2 The basic theoretical workhorse: 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.

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

1.3 Trade openness: productivity and competitiveness

Trading is one of the principal activities and one of the principal factors of the economic growth. However not all countries are identically competitive in the internal and international markets. For instance, important productivity differences are present across EU member states and affect their international competitiveness. In this section, first we review the principal trade theories and, then, we discuss the principal updated data on the intensity and composition of trade flows of EU member states. Finally, we will focus on the difficulties in underpinning competitiveness with productivity. In this respect we will discuss some case studies (among others, the case of Spain) and draw some policy considerations.

Main references:

- [1] Brakman, S., Garresten, H., van Marrewijk, Ch (2009): “The New Introduction to Geographical Economics”, Cambridge University Press. Chapters: 1; 2; 8; 9.
[2] Feenstra, R. (2004): “Advanced International Trade. Theory and Evidence”, Princeton University Press. Chapter: 5; 11 (partially)
[3] Artige, L., Nicolini, R. (2010) “Market Potential, Productivity, and Foreign Direct Investments: Some Evidence from three Case Studies” *European Planning Studies*, vol 18(2), pp. 147-168,
[4] Jorgenson, D.W., Ho S., Stira, K.J (2008): “ A Retrospective Look at the US Productivity Growth Resurgence”, *Journal of Economic Perspective*, vol. 22(1), pp. 3-24.
[5] Inklaar, R., Timmer M.P., van Ark, B. (2008): “Market Service Productivity across Europe and the US”, *Economic Policy*, January, vol. 53, pp.139-194.
[6] Nicolini, R. (2011) “Labor Productivity in Spain: 1977-2002” *Applied Economics*, vol.43, pp. 465-485 (2011),
[7] van Ark, B., O’Mahoney, M., Timmer, M.P. (2008): “The Productivity Gap between Europe and the United States: Trends and Causes”, *Journal of Economic Perspective*, vol. 22(1), pp. 25-44.

For reviewing the basic concepts underpinning the theory discussed in class:

Markusen J., Melvin J., Kaempfer W. and Maskus, K. (1995) *International Trade: Theory and Evidence*, Mc Graw Hill (it can be downloaded at: <http://spot.colorado.edu/~markusen/textbook.html>)

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 problem sets at the due deadline and get a score (for each individual problem set) 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 grading the evaluation material correspondent to his own teaching material according to the policy described below. The final grade will be the average of the overall grade of each single part.

Part 1:

(Instructor: Rosella Nicolini)

1. **In class activity and participation: 5%**
2. **Solve individually two problem sets (35%)**. This builds on a mixture of theoretical and empirical skills and is aimed to provide further insights about the topics discussed in class.
Problem set # 1: To be turned in on December 02nd 2013
Problem set # 2: To be turned in on December 09th 2013.
3. **Final exam (60%)**: the (written) final exam would consist in a question organized in different subsection tackling the topics discussed in class.
 Date: January 09th 2014
 Time: 1h 15.

Part 2:

(Instructor: José Luis Roig Sabaté)

- 1. In class activity and participation: 5%**
- 2. Answer two lists of questions (35%).**
First list: to be turned on December 16th 2013
Second list: to be turned January 09th 2014
- 3. Final exam (60%):** the (written) final exam would consist in a question organized in different subsection tackling the topics discussed in class.
Date: January 09th 2014
Time: 1h 15.

Calendar: provisional schedule

	Date	Topic
Part 1: Instructor: Rosella Nicolini	November 20th 2013	Introduction and basic tools
	November 25th 2013	Basic tools
	December 02nd 2013	Trade theories (Turn in problem set #1)
	December 04th 2013	Productivity and competitiveness
Part 2: Instructor: José Luis Roig Sabaté	December 09th 2013	Theories and evidence of spatial agglomeration (Turn in problem set #2)
	December 11th 2013	Determinants of local development
	December 16th 2013	Determinants of local development (Turn in first list of questions)
	December 18th 2013	Clusters
	January 09th 2014	Final Exam (Turn in second list of questions)