

Economic Geography

[562230]

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Department: Economic Theory

Course 2013-2014 (5th term)

Objectives

In this course we will study the phenomenon of economic agglomeration. We will present the theoretical models of international trade and geographical economics that analyze the mechanisms that explain regional inequalities. We will also study the empirical applications that try to test the theoretical predictions of this literature.

Contents

I INTRODUCTION: Stylized facts and first approximation to the agglomeration phenomenon

Bairoch, P. (1993): *Economics and World History: Myths and Paradoxes*. University of Chicago Press, Chicago, ILL.

Bairoch, P. (1997): *Victoires et déboires. Histoire économique et sociale du monde au XVIIe siècle à nos jours*. Editions Gallimard, Paris.

Combes, P.P, Mayer, T. and Thisse, J. (2008): *Economic Geography. The Integration of Regions and Nations*. Princeton University Press (Chapter 1).

Maddison, A. (2001): *The World Economy. A Millennial Perspective*. Edicions de la OCDE, Paris.

II THE THEORETICAL MODELS

1. Location theory, classical theory of international trade and the regional development theory.

Combes, P.P, Mayer, T. and Thisse, J. (2008): *Economic Geography. The Integration of Regions and Nations*. Princeton University Press (Chapter 2).

Fujita, M. and Krugman, P. (2004): "The new economic geography: Past, present and the future", *Papers in Regional Science* 83, 139-164.

Hirschman, A.O. (1958): *The Strategy of Development*, Yale University Press, New Haven, CT.

Hotelling, H. (1929): "Stability in competition", *Economic Journal*, 39, 41-57.

Kaldor, N. (1970): "The case for regional policies", *Scottish Journal of Political Economy*, 17, 337-348.

Krugman, P. (1995): *Development, Geography and Economic Theory*, MIT Press, Cambridge, MA.

Krugman, P. (2011): "The New Economic Geography, Now Middle-aged", *Regional Studies* 45, 1-7.

Lösch, A. (1940): *The Economics of Location*, Yale University Press, New Haven, CT.

Marshall A. (1890): *Principles of Economics*, Mcmillan, London.

Martin R. (1999) "The new 'geographical turn' in economics: some critical reflections" *Cambridge Journal of Economics* 23, 65- 91

Myrdal, G. (1957): *Economic Theory and Underdeveloped Regions*, Duckworth, London.

Ohlin, B. (1933): *Interregional and International Trade*, Harvard University Press, Cambridge, MA.

Ottaviano, G. and Thisse, J. (2004): "New economic geography: what about the N?", *Environment and Planning A* 2005, volume 37(10), 1707 - 1725.

von Thünen, J.H. (1826) *The Isolated State*, Pergammon Press, Oxford.

Weber, A. (1909) *The Theory of the Location of Industries*, Chicago University Press, Chicago, 1929.

Williamson, J.G. (1965) "Regional Inequality and the Process of National Development: A Description of the Patterns". *Economic Development and Cultural Change*, 13.

2. Monopolistic competition and “home market effect”.

2.1 The Dixit-Stiglitz model of monopolistic competition

Combes, P.P, Mayer, T. and Thisse, J. (2008): *Economic Geography. The Integration of Regions and Nations*. Princeton University Press (Chapter 3).

Dixit, A. K. and Stiglitz, J.E. (1977) “Monopolistic competition and optimum product diversity”, *American Economic Review*, 67, 297-308.

2.2 The Dixit-Stiglitz-Krugman model and the home market effect

Combes, P.P, Mayer, T. and Thisse, J. (2008): *Economic Geography. The Integration of Regions and Nations*. Princeton University Press (Chapter 4).

Head, K., Mayer, T. and Ries, J. (2002) “On the pervasiveness of the home market effect”, *Economica* 69, 371-390.

Helpman, E. and Krugman, P. 1985 *Market Structure and Foreign Trade*, MIT Press, Cambridge, MA.

Krugman, P. (1980) “Scale economies, product differentiation and the pattern of trade”, *American Economic Review*, 70, 950-959.

Martin, P. and Rogers, C.A. (1995) “Industrial location and public infrastructure”, *Journal of International Economics*, 39, 335-351.

3. The core-periphery model

Combes, P.P, Mayer, T. and Thisse, J. (2008): *Economic Geography. The Integration of Regions and Nations*. Princeton University Press (Chapter 6).

Baldwin, R., Forslid, R. Martin, P, Ottaviano, G. and Robert-Nicoud, F. (2003): *Public Policies and Economic Geography*, Princeton University Press, Princeton. (Chapter 2).

Fujita, M., Krugman, P. and Venables, A. J. (1999) *The Spatial Economy: Cities, Regions and International Trade*. The MIT Press, Cambridge. (Chapters 4 i 5).

Krugman P. (1991): “Increasing returns and economic geography”, *Journal of Political Economy* 99, 484-499.

III EMPIRICAL APPLICATIONS

Surveys:

Combes, P.P, Mayer, T. and Thisse, J. (2008): *Economic Geography. The Integration of Regions and Nations*. Princeton University Press (Chapter 10, 11 i 12).

Head, K. and Mayer, T. (2004) "The empirics of agglomeration and trade", forthcoming in Henderson, V. and Thisse, J. (eds.), *Handbook of Regional and Urban Economics*, NorthHolland.

Overman, H. O. and Combes, P. P. (2004) "The spatial distribution of economic activities in the EU", in Henderson, V. and Thisse, J. (eds.), *Handbook of Regional and Urban Economics*, NorthHolland.

Overman, H. O., Redding, S. and Venables, A. J. (2003) "The economic geography of trade, production, and income: a survey of empirics", in Harrigan, J. and Choi. K. (eds.), *The Handbook of International Trade*, London, Basil Blackwell.

Redding, S. J. (2009) "The Empirics of New Economic Geography," CEPR Discussion Papers 7307, C.E.P.R. Discussion Papers, London.

4. Measures and determinants of industrial concentration and regional specialization

Amiti M. (1999): "Specialisation patterns in Europe", *Weltwirtschaftliches Archiv* 135 (4), 573-593.

Ellison, G. and Glaeser, E. (1997) "Geographic concentration in US manufacturing industries: a dartboard approach, *Journal of Political Economy*, 105, 889-927.

Kim S. (1995): "Expansion of markets and the geographic distribution of economic activities: the trends in U.S regional manufacturing structure, 1860-1987", *Quarterly Journal of Economics* 110, 881-908.

Brühlhart, M. et R. Traeger (2005) "An account of geographic concentration patterns in Europe", *Regional Science and Urban Economics* 35, 597-624.

Paluzie, E., Pons, J. and Tirado, D. A. (2001): "Regional integration and specialization patterns in Spain", *Regional Studies* 35 (4), 285-296.

Sanguinetti, P. and Volpe Martincus, C. (2009): "Tariffs and manufacturing location in Argentina", *Regional Science and Urban Economics* 39, 155-167.

Tirado, D. A., Paluzie, E. and Pons, J. (2002): "Economic integration and industrial location. The Case of Spain before WWI", *Journal of Economic Geography* 2 (3), 343-363.

5. Regional wage inequalities

A'Hearn, B. and Venables, A.J. (2011) "Internal Geography and External Trade: regional disparities in Italy, 1861-2011," Economics Series Working Papers 578, University of Oxford, Department of Economics.

Brakman, S., H. Garretsen et M. Schramm (2004) "The spatial distribution of wages and employment: estimating the Helpman-Hanson model for Germany", *Journal of Regional Science* 44, 437-466.

Hanson, G. H. (1997) "Increasing returns, trade and the regional structure of wages", *Economic Journal*, 107, 113-133.

Hanson, G. (2005) "Market potential, increasing returns, and geographic concentration", *Journal of International Economics*, 67, 1-24.

Redding, S. J. and Sturm, D. (2008) "The Costs of Remoteness: Evidence from German Division and Reunification," *American Economic Review*, 98(5), 1766-1797.

Redding, S. and Venables, A. (2004) "Economic geography and international inequality", *Journal of International Economics*, 62, 53-82.

Tirado, D.A, Pons, J. and Paluzie, E. (2013) "Trade policy and wage gradients: evidence from a protectionist turn", *Cliometrica*, In press.

Evaluation

Written exam + one presentation in class of a paper included in the references.

Handbooks

Combes, P. P., Mayer T. and Thisse, J. F. (2008), *Economic geography. The integration of regions and nations*. Princeton University Press.

Fujita, M., Krugman, P. and Venables, A. J. (1999), *The Spatial Economy: Cities, Regions and International Trade*. The MIT Press, Cambridge.