

GEOGRAPHICAL ECONOMICS

B

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Course Material Developed by Department of Economics,
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B

Syllabus

Expected knowledge

- Key concepts in international trade
 - Heckscher – Ohlin model
 - Ricardo model
 - trade costs, Samuelson iceberg model
 - comparative advantage
- Key methods
 - OLS regression (concept, interpretation, dummy variables)
- Key concepts from microeconomics
 - profit maximisation (how to do), market equilibrium
 - perfect competition, monopoly, duopoly
 - price taking behaviour
 - production function
 - consumer's budget constraint
 - consumer preferences
 - perfectly competitive equilibrium
 - return to scale
 - Marshallian externality

Textbook

- BGM: Brakman, W., H. Garretsen and Ch. van Marrewijk, 2009, The new introduction to geographical economics CUP 2009

Week 1

Outline

- Discussion of agglomeration
- Discussion of spatial inequality
- Role for policy

References

- BGM: Brakman, W., H. Garretsen and Ch. van Marrewijk, 2009, The new introduction to geographical economics CUP 2009
- Lucas, Robert (1990). "Why Doesn't Capital Flow from Rich to Poor Countries". American Economic Review 80: 92–96.

Week 2

Outline

- Geography and transport costs – old and new economic geography
- 9 remarks on economic geography
- Von Thünen (1826) model

References

- Gianmarco I P Ottaviano & Jacques–Francois Thisse, 2005. "New economic geography: what about the N?," Environment and Planning A, Pion Ltd, London, vol. 37(10), pages 1707–1725, October.
- Thünen, von J.H. (1826), Der Isolierte Staat in Beziehung auf Landschaft und Nationalökonomie. Trans. By C.M.
- Anthony J. Venables (2005): New Economic Geography, Palgrave Dictionary of Economics

Week 3

Outline

- Von Thünen (1826), Lösch (1954)
- The basic Von Thünen model

References

- Masahisa Fujita, Jacques–Francois Thisse (2002) Economics of Agglomeration, CUP, Ch 3.2

Week 4

Outline

- Economic Growth and International Convergence
 - The neoclassical model
 - The Mankiw–Romer–Weil analysis
 - Interpretation of convergence – The Beta and Sigma approach

References

- Barro and Sala-i-Martin (1995): Economic Growth, Chapter 11
- Mankiw, G., Romer, D. and Weil, D. (1992), A contribution to the empirics of economic growth, QJE

Week 5

Outline

- Economic Geography and Trade
 - Neoclassical Trade Theory
 - New Trade Theory
 - Applications and examples
- Geography and transportation costs
 - Iceberg

References

- BGM Chapter 3.6
- Limao, Nuno and Anthony J. Venables (2001), "Infrastructure, Geographical Disadvantage, Transport Costs and Trade," World Bank Economic Review, 15, 451–79.

Week 6

Outline

- Monopolistic competition: Introduction
- Dixit–Stiglitz model review

References

- BGM Chapter 3.4, 3.5

Week 7

Outline

- Krugman model
 - Production structure
 - Geography steps in: two regions
 - Short-run equilibrium
 - Long-run equilibrium

References

- BGM Chapter 3.3, 3.7–3.9

Week 8

Outline

- Krugman model – Dynamics
 - The effect of transportation costs
 - History dependence

References

- BGM Chapter 4.2–4.4, 4.5 in part

Week 9

Outline

- Krugman model – Extensions
 - Intermediate inputs
 - Results, hypotheses

References

- BGM Chapter 4.6 (in detail), 4.7, 4.9

Week 10

Outline

- Krugman-style models and some empirical results
 - Results and hypotheses

- The Krugman model and reality
- Shock sensitivity

References

- BGM Chapter 5.4, 5.5, 6.2.1, Box 6.5
- Davis–Weinstein (2002), Bones, bombs and breakpoints: the geography of economic activity, *American Economic Review*, 92: 1269–89.
- Hanson, G.H (2005), Market potential, increasing returns, and geographic concentration, *J. of International Economics*, 67: 1–24.
- Head, K., and T. Mayer (2004), The empirics of agglomeration and trade, in J. V. Henderson and J.–F. Thisse (eds.), *The Handbook of Regional and Urban Economics*, vol. IV, Cities and Geography, Amsterdam: North Holland, 2609–65.
- Krugman, P– A.Venables (1995) Globalization and the inequality of nations, *Quarterly Journal of Economics*, 110:857–80.

Week 11

Outline

- Geographical Economics and Policy
 - The potential of policy instruments
 - Policy implications
 - Taxation and agglomeration
 - Transportation and traffic

References

- BGM Chapter 11 (beginning)
- Ottaviano, G. I. P. (2003), Regional policy in the global economy: insights from the New Economic Geography, *Regional Studies*, 37: 665–73.

Week 12

Outline

- Agglomeration and the productivity of firms
 - US – Ciccone–Hall (1996) model, theory and empirical results
 - EU – Ciccone (2002) model, theory and empirical results

References

- Ciccone, A., and R. E. Hall (1996), "Productivity and the density of economic activity", *American Economic Review*, 86: 54–70.
- Ciccone, A. (2002), "Agglomeration effects in Europe", *European Economic Review*, 46: 213–37.

Week 13

Outline

- Agglomeration and cities – Basis and key terms
 - Agglomeration externalities
 - Stylized facts
 - The mechanism of agglomeration

References

- BGM Ch 7
- Duranton, G., and D. Puga (2004), "Micro-foundations of urban agglomeration economies", in J. V. Henderson and J.-F. Thisse (eds.), *The Handbook of Regional and Urban Economics vol. IV Cities and Geography*, Amsterdam: North-Holland, 2063–2118.