

GEOGRAPHICAL ECONOMICS

"B"

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Course Material Developed by Department of Economics,
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ELTE Faculty of Social Sciences, Department of Economics

GEOGRAPHICAL ECONOMICS

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week 1

Introduction and syllabus

Gábor Békés, Sarolta Rózsás

1 Introduction and Syllabus

1.1 Introduction

Economic Geography and Geographical Economics

- Economic Geography / Geographical Economics
- Regional Science
- Urban Economics
- Geography vs Economics
- The issue: The spatial location of the economy

Economic Geography (1)

'By "economic geography" I mean the "the location of production in space"; that is, that branch of economics that worries about where things happen in relation to one another.'

Krugman, Paul. 1992. Geography and Trade. MIT Press. pp 1.

Related topics

1. International economics, trade
2. Theory of the firm, IO
3. Regional economics of the EU, Regional development policy of the EU
4. Innovation
5. Urban planning
6. Transportation, shipping
7. Spatial econometrics

Economic Geography (2)

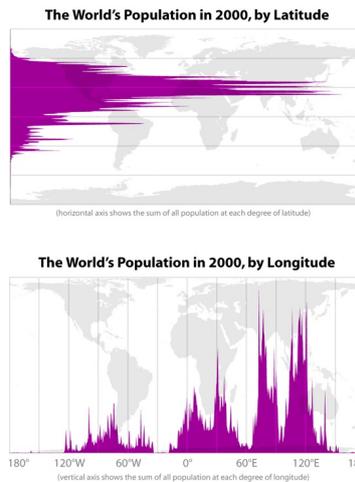
'About a year ago I more or less suddenly realized that I have spent my whole professional life as an international economist thinking and writing about economic geography, without being aware of it.'

Krugman, Paul. 1992. Geography and Trade. MIT Press. pp 1.

The location of economic activity

- North-South / East-West
- Countries
- Regions
- Cities, ports
- CBD
- Clusters

The distribution of the world's population according to Bill Ranklin (Harvard)



The place of economic activity (1)

Brief economic introduction

In classical economics the place of economic activity is quite irrelevant

- The price of capital is also determined by supply and demand: the scarcer it is, the higher is the price
- In developing countries there is less capital and more labor
 - thus the value of the capital is high ...
 - if capital can flow freely it goes to developing countries ...
 - as a result the country develops.
- The growing supply of capital drives the prices down and when the country becomes developed the prices equalize ...

The place of economic activity (2)

In reality this is not the case.

- Robert Lucas: Why doesn't capital flow to Africa?
 - Lucas, Robert (1990). "Why Doesn't Capital Flow from Rich to Poor Countries". *American Economic Review* 80: 92–96.
- It is still an important question

- In reality the spatial concentration of economic activity is quite high, there are lots of agglomeration belts
 - City – Region – Country – International region
 - Concentration – more frequent occurrence of an industry or activity in space
 - Agglomeration – the general concentration of economy in space

Key terms

- Economic Geography / Geographical Economics
- Concentration, agglomeration
- The role of space in neoclassical economics

1.2 Course syllabus

Course syllabus

1. Introduction
2. The early theories of geographical economics – cities, CBD, trade, competition
3. New Economic Geography – basis and theory (monopolistic competition, the Krugman model and its augmented versions)
4. Agglomeration and cities (empirics, agglomeration, cities, clusters)

Course syllabus

1. Introduction
2. The early theories of geographical economics
3. Von Thünen model and its augmented versions
4. The background of economic geography: regional convergence
5. The background of economic geography: trade and transportation costs
6. NEG – basis: Dixit-Stiglitz model
7. Krugman model
8. Dynamics in the Krugman model
9. Krugman model and other NEG models
10. NEG – empirics
11. Theory and economic policy
12. Agglomeration and productivity
13. Agglomeration and the spread of knowledge

Some important questions

- How does the location choice affects profitability?
- What are the reasons of certain industries' spatial concentration?
- Why do cities exist?
- What kind of pattern does the use of areas in cities have?
- Why do some regions prosper while others lag behind?
- How does IT affect economic concentration?
- How do European integration and public policy affect European regions and cities?

Affix

What you do not have to learn in this course

- How tectonic plates move
- What kind of cloud types there are
- Where is coal mining in Germany
- What is the capital of Colombia

What you do have to learn

- The ability to understand and apply key terms of the topic
- The ability to understand and use economic models
- To know the relevant questions of economic policy, and to argue
- To know the relevant methods of empirical analysis and to apply them

Bibliography

Coursebook

- BGM: Brakman, W., H. Garretsen and Ch. van Marrewijk, 2009, The new introduction to geographical economics, CUP 2009
- KRUG: Krugman, Paul, 1992, Geography and Trade, MIT Press

Complementary coursebook – some chapters

- CMT: Pierre-Philippe Combes, Thierry Mayer, Jacques-Francois Thisse: Economic Geography: The Integration of Regions and Nations, 2009, Princeton
- F-T: Masahisa Fujita, Jacques-Francois Thisse (2002) Economics of Agglomeration, CUP
- OXF: Gordon L. Clark, Méric S. Gertler, Maryann P. Feldman (2000) The Oxford handbook of economic Geography, OUP
- HAND: Henderson, Vernon and Jacques-Francois Thisse (2004) Handbook of Regional and Urban Economics: Cities and Geography: 4, North Holland
- Varga Attila (2009) Térszerkezet és gazdasági növekedés, Akadémiai Kiadó
- Lengyel Imre (2008) Regionális gazdaságfejlesztés, Akadémiai Kiadó