Topics in Macroeconomics IV: Agglomeration and Economic Geography

2017-2018 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Macroeconomics IV
- Total credits: 3 ECTS
- Code: 32083
- Workload: 75 hours
- Term: 2nd
- Type of subject: Optative
- Department of Economics and Business
- Teaching team: Dávid Nagy and Giacomo Ponzetto
2. Teaching guide

★ Introduction

The objective of the course is to introduce the students to active research areas in economic geography. We will study a set of models and tools that are commonly used in the field, and we will cover recent papers, both theoretical and empirical. The assignments for the course are intended to foster engagement with the current research frontier and to stimulate creative thinking about the students' own research projects.

★ Contents

Economic geography studies the spatial distribution of economic activity when labor is mobile across locations. Our fundamental tool will be the notion of a spatial equilibrium in which not only final goods but also factors of production can move across space and choose their optimal location. To understand why population and production are heavily concentrated in a few dense regions and cities, we will focus on agglomeration economies: the advantages that result from eliminating the distance between people. We will consider how density facilitates the transportation of goods, the sharing of inputs and the matching between workers and employers.

★ Assessment and Grading System

There will be no final exam. Instead, there are two requirements:

1) There will be graded problem sets, with a combination of theoretical and empirical exercises. Problem sets are intended to help students get familiar with the course material.

2) One week after the last class, each student must submit a final project. The project should be around 6 and no more than 10 pages long and can be any of the following:

   a. The proposal for an original paper.

   b. A sufficiently challenging extension of an existing model or replication of an existing empirical analysis, which might become the basis of a paper.

   c. A critical survey of the literature on a specific topic that was not extensively covered in class.

   d. Referee reports on two important articles published in the last few years.

The problem sets (1) and active participation to classroom discussion will count for 30% of the final grade, and the final project (2) will count for the remaining 70%. Grading will take into account that projects belonging to types (a) and (b) are more challenging than those of types (c) and (d).
3. Programme of activities

- Description of the subject: Topics in Macroeconomics IV: Agglomeration and Economic Geography
- Total credits: 3 ECTS
- Estimated time spent on the subject: 75
  - In the classroom: 20
  - Outside the classroom: 55

The following outline sketches the topics covered in the course. Required readings are marked by a star. The reading list is subject to changes before and during the class.

**Measuring Agglomeration (Ponzetto)**


**Increasing Returns, Transport Costs and the Geography of Economic Activity (Nagy)**


**Portage and path dependence. Quarterly Journal of Economics 127(2), 587-644.**

**Globalization and the inequality of nations. Quarterly Journal of Economics 110(4), 857-880.**

**History and industry location: Evidence from German airports. Review of Economics and Statistics 93(3), 814-831.**

The Importance of Market Access (Nagy)


Input Sharing, Matching and Systems of Cities (Ponzetto)


The Consumer City and Sources of Agglomeration Economies (Ponzetto)


