

ECN 494: Regional Economics Spring 2007

T, TH 1:40pm – 2:55pm
Room: TBA

Instructor: José Lobo (jose.lope@asu.edu)

Humanity has just crossed a major landmark in its history with the majority of people now living in urban areas. Therefore for most human beings the quality of their life—access to clean air and water, to jobs and economic advancement, even their physical security—will be largely determined by what happens in cities. Economists, sociologists, historians and anthropologists recognize that cities have played a crucial role in the development of science and technology, and more broadly, in the generation of inventions and innovations—intellectual and material, cultural and political, institutional and organizational.¹ It has become increasingly clear that the economic performance of national economies is underpinned by the economic performance of regions and cities,² and that the World is, in the words of Richard Florida, “spiky”, with some regions and cities accounting for a disproportionate amount of inventions, innovations and wealth creation.³ Increasingly many policy-makers, in State Capitols, City Halls and University Administrations, see it as part of their responsibilities to promote and implement policies that will make their regions or cities be like “Silicon Valley” (San Jose, California) or “Wireless Valley” (San Diego), resemble the “Biotech Corridor” (Boston) or become a future nanotechnology cluster. For all these reasons, and many more, anyone interested in economic growth, sustainable development, poverty alleviation, and innovation should be passionately interested in regional and urban economics.

The course will cover standard, concepts, techniques and models developed to study the spatial and locational aspects of economic activity and firm behavior. The course’s emphasis, however, will be on recent theoretical advances and empirical research—particularly what has come to be know as the “new economic geography” (which in turn was the offspring of the “new economic growth theory”). The course is open to advanced undergraduates and beginning graduate students, and it will be assumed that those taking the course have had training in intermediate microeconomics (at the level of Steven Landsburg’s *Price Theory and Applications* or Hal Varian’s *Intermediate Microeconomics*); prior exposure to intermediate macroeconomics (at the level of N. Gregory Mankiw’s *Macroeconomics*) will greatly assist the understanding of the material. It will also be assumed that students have sufficient familiarity with calculus so as to understand the basic “growth accounting” framework.⁴ An acquaintance⁵ with basic econometrics will be very useful. The main pre-requisites, however, are for the student to have

¹ In his book *Rise of Civilization* Charles Redman persuasively argues that cities were in themselves one of humanity’s most important innovations.

² This point has been eloquently and persuasively argued by Jane Jacobs in her classic works *The Economy of Cities* and *Cities and the Wealth of Nations*.

³ <http://creativeclass.com/rfcgdb/articles/other-2005-The%20World%20is%20Spiky.pdf>

⁴ Go to http://j-bradford-delong.net/macro_online/growth_accounting.pdf for a review.

⁵ Something more than a casual friendship but less than a torrid romance.

an inquisitive disposition, a willingness to read critically (and copiously), think carefully, listen attentively, inquire actively, to probe assumptions, and to have a predisposition to value data over anecdotes.

The assigned textbook for the course is *The Economics of Cities and Suburbs* by Thomas Bogart (Prentice-Hall, 1998). Additional readings, which will be assigned often, will draw from economics journals, as well as from the anthropological, sociological and historiographical literature. Grading will be based on occasional quizzes on mathematical aspects of the assigned reading, class participation, and brief reports (oral and written) on the course's readings and readings individually assigned to each student.

Syllabus

Week 1: Cities in History. Why are there cities?

Week 2: Central Place Theory. Implication of space and geography for the development and functioning of markets.

Week 3: Location of Economic Activity. The locational decisions of firms.

Week 4: Intermetropolitan trade and specialization I. Urban economies as open economies.

Week 5: Intermetropolitan trade and specialization II.

Week 6: Review of Neo-Classical and Endogenous Growth Theories.

Week 7: Agglomeration and Metropolitan Growth I. Localization and Urbanization externalities.

Week 8: Agglomeration and Metropolitan Growth II. What are the determinants of regional and urban economic growth?

Week 9: Cities and Knowledge Spillovers I. What are the ingredients that make up "Regions of Innovation." What fosters and hinders invention and innovation in cities?

Week 10: Cities and Knowledge Spillovers II. Cities and the accumulation of human capital.

Week 11: Patenting and Metropolitan Networks of Invention.

Week 12: Convergence or divergence of regional and metropolitan economic performance in the U.S.?

Week 13: Urban Scaling. How does urban size affect economic life and innovation? Are cities like biological organisms?

Week 14: Planet of Slums?