Regional Economics

Prof. Iwan J Azis
August-December Semester, 2018
TA: Fandy Rahardi, Nabil Rizky
Time & place: Wednesday, 11.00 – 13.30; Room: Ruang Rapat 301 (Selasar 3rd Floor)
Office hour: by appointment (ija1@cornell.edu)

Purpose:

This course is designed to introduce a spatial dimension in economics. It addresses the economic aspect of regional/spatial problems. Typical questions to be addressed are: How space and location affects economic behaviors of agents (businesses, consumers and government), and how these behaviors affect locational configuration and the spatial economic development (e.g., agglomeration, regional growth).

To the extent location is the primary factor distinguishing spatial economics from conventional economics, the starting point of the course is to introduce the concept of location theory. In terms of market structure, the unique characteristic of spatial economics is the dominance of limited competition from which spatial concentration and dispersion could conceptually arise. This is the subject to be discussed in the second part of the course. As the growth of city & urban areas continues, questions to be raised are: why and how city/urban arise and grow, what factors determine the city size, what is the spatial distribution of activities within cities, and are there identifiable patterns (physical and social) in the city/urban growth. This is discussed in the third part of the course. Since the competitiveness of regions—and countries—can be affected by the competitiveness of cities, the role of national and regional policies becomes very important. It determines the extent to which regional development process could affect regional disparity and productivity. The discussions in the fourth part are devoted to this topic. The last (fifth) part of the course focuses on the role of institutions, in which decentralization policy is used as a case.

Evaluation:
(1) students' participation in class discussions: 10%
(2) a mid-term exam: 30%
(3) a final project paper: 60%

The following outline is designed such that the topics are cumulative (each topic is built upon earlier ones) and hence it is important for students to attend every class meeting.

Topics and Reading Materials:
There is no single required reading for this course except a few to be announced in class. The notes used during the class explanations are the main references students should use.

Schedule:

I. Weeks 1-3: Reviews & Introduction to Location Theory
- Reviews of All Topics
- Fundamental Questions in Location Theory
- Evolution of Thinking
- Relevance: Current & Future
- Location of Economic Activities: Von Thunen, Weber & Isard Models

II. Week 4-5: Market Structure & Externalities
- Monopolistic Spatial Competition
- Increasing Returns to Scale
- Agglomeration and Dispersion

III. Weeks 6-7: City/Urban Growth
- Urban System: Losch-Christaller Optimal Market Areas & Rank Size
- Patterns in City/Urban Growth: In Search of Unified Theory
- Links with Other Disciplines
- Future Challenges (Role of ICT)

IV. Weeks 8-11: Regional Growth and Development
- Evolution of Regional Growth Theories
- Determining Factors and Multipliers
- Regional Concentration vs Dispersion
- Regional Infrastructure
- Regional Productivity

V. Weeks 12-13: Institutions and Decentralization
- Role of Institutions
- Concepts of Decentralization & Predictions
- Local Capture
- Multiple Equilibria
- Typology of Local Leaders

V1. Week 14: Summary and final paper presentation