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11.481J / 1.284J / ESD.192J Analyzing and Accounting for Regional Economic Growth  
Spring 2009

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## Problem Set 2

DUSP 11.481J, 1.284J, ESD.192J

Please answer only one of the following three questions (Question No.1, **or** Question No. 2, **or** Question No. 3). Answer all parts of the question you select. In each case, we would like you to connect your answer to the provision of the stimulus packages that the Obama administration and/or the People's Republic of China (China) are proposing. See the URLs at the end of this handout.

### 1. Factor Mobility and Globalization

- a. What is the Harris and Todaro (1970) explanation for migration? What is the role of wages, living costs, and expectations in their model?
- b. Why are analysts concerned about recent trends in factor mobility, commodity trade, and globalization as they relate to the provision of an infrastructure stimulus?
- c. Are the concerns of the analysts valid? Why or why not? What are the different implications for regions of these trends in developed and developing countries especially in light of recent financial stimulus being offered in the United States?

Base your answer upon at least the following:

John R. Harris and Michael P. Todaro. 1970. "Migration, Unemployment, and Development: A Two-Sector Analysis," *American Economic Review*, 60 (1) (March): 126-142.

Karen R. Polenske and Geoffrey J.D. Hewings. 2004. "Trade and Spatial Economic Interdependence" *Papers in Regional Science: Journal of the Regional Science Association International*, 83 (1): 269-289.

### 2. Dispersion Economies and Supply Chains

Since the 1990s, supply-chain management (SCM) has emerged as a core component in many firms' business models. One of the debates concerning the impact of modern logistics on industrial location choice concerns whether modern logistics (i.e., the modern inventory control and supply-chain configuration) consolidate or disperse manufacturing and distribution locations across regions? In contrast, do increased customer-service levels that require firms to hold inventories and firms' cost-minimizing objectives lead them to reduce inventories, significantly affecting the location of industrial real estate?

Discuss these two views, explaining what role analysts think supply chains play in the current regional (industrial) economic restructuring? In current regional (industrial decline)? Should supply chains enhance or diminish the competitiveness of a region/industry? Use examples from two or more of the required readings we have covered in the theoretical readings in the class to support your position.

### 3. Agglomeration, Growth, Decline, and Innovation

- a. What is the connection between agglomeration, growth, and decline? Can we explain the growth/decline pattern of U.S. regions based on this relationship? What about regions in other countries?
- b. What role, if any, does innovation play in regional agglomeration, growth, and decline? How are those phenomena connected or interrelated?

Richard E. Baldwin and Philippe Martin. 2003. "Agglomeration and Regional Growth," in *Handbook of Urban and Regional Economics*, Vol. 4, J. V. Henderson and J. F. Thisse, eds., pp. 1-39.

Mario A. Maggioni, Mario Nosvelli and Trodora Erika Uberti. 2007. "Space versus Networks in the Geography of Innovation: A European Analysis." *Papers in Regional Science*, Vol. 86, 3: 471-493.

Base your answer upon the above two readings and literature in the field (using readings from any part of the required or suggested readings for this class covered so far). You are not expected to refer to readings not on the reading list, but if you do so, please provide a copy of the reading(s) to the instructors, so that we can quickly ascertain if your comparison is correct.

For the answer to any of the three questions, write your answer as a complete essay, with an introduction, conclusion, and a list of references, focusing on one or more key issues. We will judge the paper based on good writing and on your ability to argue effectively about the issue you choose.

Please provide your name and the names of students with whom you worked. Each member of the group must do a fair share of the work. Each student must submit a separate answer representing individual thinking. Your answer should not exceed **eight** double-spaced pages, including references (with at least one-inch margins and no smaller font than 12 cpi). Again, refer to the "Suggestions for Writers" handout concerning common writing problems.

Note: Points will be deducted for any papers handed in late.

## **Appendix**

Some news items regarding the details of the economic stimulus packages for your reference:

**The economic stimulus package (summary):**

<http://www.recovery.gov/>

**The economic stimulus package (More details):**

[http://en.wikipedia.org/wiki/American\\_Recovery\\_and\\_Reinvestment\\_Act\\_of\\_2009](http://en.wikipedia.org/wiki/American_Recovery_and_Reinvestment_Act_of_2009)

**The economic stimulus package (H.R. 1 bill):**

<http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.1:>

**China's Stimulus Package (Part I):**

<http://www.chinaenvironmentallaw.com/2008/11/19/chinas-stimulus-package-energy-the-environment/>

**China's Stimulus Package (Part II):**

<http://www.chinaenvironmentallaw.com/2009/02/04/chinas-stimulus-package-energy-the-environment-ii/>