From New Economic Geography to gravity equations
M1 APE – Political Engeneering
9h (lectures) + 6h (practice sessions)

Aim of the course: To provide the theoretical background of the New Economic Geography (Krugman core-periphery model) and demonstrate how it might serve a micro-foundation for the estimation of gravity models.

We will address three main questions:

- Why are economic activities distributed unevenly across space? Which market mechanisms influence location choices? What is the role of trade costs? (CM)

- What are the theoretical foundations of gravity equations? What is the predictive power of the NEG? (CM)

- How to estimate a gravity model in order to predict flows/interactions between different locations? (TD)

2 evaluations : one during practice sessions, one final exam.

References:

- Combes P-Ph, Mayer Th and J-F Thisse (2008). Economic Geography: The Integration of Regions and Nations, Princeton University Press.
- Head, K., and T. Mayer, 2014, "Gravity Equations: Workhorse,Toolkit, and Cookbook", chapter 3 in Gopinath, G, E. Helpman and K. Rogoff (eds), vol. 4 of the Handbook of International Economics, Elsevier: 131–-195.
- The gravity cookbook website: https://sites.google.com/site/hiegravity/