

International Economics: Trade, inequality, crisis and competitiveness

Aims of the seminar

The aim of the course is to acquaint students with the territorial implications of more integrated economies. In particular, the seminar will focus on how trade and integration affect economic performance in different types of regions, paying special attention to the impact on peripheral areas; the relationship between trade and the crisis, and the capacity of trade and remote interaction to facilitate competitiveness to remote regions.

Structure of the seminar

The seminar is structured around three key areas:

1. Trade, economic integration, and territorial equity
2. Trade, economic integration, and the crisis
3. Clusters vs. pipelines: Global value chains and firm-level performance

Seminar 1. Trade, economic integration, and territorial equity

| | Key | Outcomes |
|---|---------------------------------------|--|
| 1 | Trade as a catalyst for growth | Assess the evidence linking trade to economic growth |
| 2 | Trade and inequality: the assumptions | Describe the basic assumptions of the theoretical interaction between trade and regional inequality, both in the NEG and in the World Bank's World Development Report 2009 |
| 3 | Trade and inequality: the evidence | Examine, using descriptive analysis, whether there is a link between trade and territorial inequality, focusing on sectoral shifts in trade |
| 4 | Modelling trade and inequality | Model the link between trade and inequality using static and dynamic approaches |
| 5 | Policy implications | Present and discuss the policy options in order to maximize the benefits of trade and minimize its links to inequality |

Readings:

Anderson, E. (2005) Openness and inequality in developing countries: A review of theory and recent evidence, *World Development* 33, 1045-1063.

Ezcurra, R. and Rodríguez-Pose, A. (2014) Trade openness and spatial inequality in emerging countries, *Spatial Economic Analysis* 9, 2, 162-182.

Lessmann, C. (2014): Spatial inequality and development - Is there an inverted-U relationship?, *Journal of Development Economics* 106, 35-51.

Rodríguez-Pose, A. (2012) Trade and regional inequality, *Economic Geography* 88, 109-136.

Seminar 2. Trade, economic integration, and the crisis

| | Key | Outcomes |
|---|---|--|
| 1 | Trade and the background to the Eurozone crisis | Understand the run up to the Eurozone crisis and the role trade imbalances played in this process |
| 2 | Causes of the Eurozone crisis | Describe and evaluate the potential causes of the Eurozone crisis |
| 3 | Impact of the crisis on labour markets | Analyse how and why the crisis impacted on different labour market groups |
| 4 | What next for European integration? | Compare and evaluate potential options for the future of European integration |
| 5 | Future questions for Europe | Consider the future challenges faced by European countries as they move to a wider or deeper union |

Readings:

On-going issue, lecture material interspersed with extracts from the FT and the Economist. No authoritative work yet on the crisis, as it is ongoing.

However, you may want to subscribe to the LSE blog:
<http://blogs.lse.ac.uk/eurocrisispress/>

Seminar 3. Clusters vs. pipelines: Global value chains and firm-level performance

| | Key | Outcomes |
|---|--|--|
| 1 | Trade and the location of economic activity: recap | Remind how trade is often leading to greater agglomeration and to the formation of clusters |
| 2 | Trade, clusters and global value chains | Develop the link between trade and the establishment of linkages for innovation, productivity and growth. Two options, clusters vs. global value chains (pipelines) |
| 3 | Impact on economic development | Assess how these processes affect intermediate countries (such as Spain) and regions (such as most Spanish regions, with the exception of Madrid and Catalonia). Two options: a) decay and vanish; b) fight for survival |
| 4 | Policy options | a) 'Buzz' option (promotion of local clusters); b) 'Pipeline' option (development of value chains at geographical distance) |
| 5 | Policy in practice: Case of Norway | a) Cluster policies and their failure; b) Strategies to develop pipelines |

Readings:

Fitjar, R.D., Rodríguez-Pose, A. (2013) Firm collaboration and modes of innovation in Norway, *Research Policy* 42, 128-138.

Gereffi, G. (1999) International trade and industrial upgrading in the apparel commodity chain. *Journal of International Economics* 48, 27-70.

Giuliani, E. 2005. Cluster absorptive capacity: Why do some clusters forge ahead and others lag behind? *European Urban and Regional Studies* 12, 269-88.

Morgan, K. 1997. The learning region: Institutions, innovation and regional renewal. *Regional Studies* 31, 491-504.

Rodríguez-Pose, A. and Fitjar, R.D. (2013) Buzz, archipelago economies and the future of intermediate and peripheral areas in a spiky world. *European Planning Studies* 21, 3, 355-372.

Debate

We will be conducting two optional debates. Participants, if successful in engaging in the debate, will get a bonus percentage to be considered in the final grade of the course.

Participants in the debate will be divided into two groups. The two groups in the debate will have to defend pre-established and contrasting positions. Each group will be allocated fifteen minutes to present their arguments, as well as fifteen minutes to question the arguments of the other group. The rest of the class will act as the jury. They will be allowed to participate after the presentations and first round of questions and will have to cast a final vote on the issues.

Although the readings above will provide interesting insights for each debate, students are expected to read widely and to use their background and experience to articulate their arguments.

The issues that will be debated are:

Debate 1 **Have trade and economic integration gone too far?**

November 30th

Position A: Trade and integration have gone too far, generating greater inequality and contributing to exacerbate economic crises.

1. Lisa Jöransson
2. Felix Bernett
3. Luis Oliveira
4. Luca Turturro
5. Ines Santos

Position B: More trade and integration are needed in order to reduce the risk of crisis and foster greater economic development.

1. Michael Gscheider
2. Jorge de la Torre
3. Virginia Figo
4. Rui Sebastião
5. Niels Marin

Debate 2 **Are policies aimed at combatting inequalities needed?**

December 14th

Position A: Market forces will in the long-run alleviate inequalities, making inequality policies redundant.

1. Philippe Schyls
2. Carlos Martín Jiménez
3. Catherina Simmer
4. Margheritta Gaudenzi

5. Christina Brandmeir

Position B: Market forces tend to exacerbate inequality, making inequality policies necessary.

1. Kilian Dreher
2. Lena Reichart
3. Valentina Caron
4. Silvia di Bernardino
5. Alejandro Rohali