Regional Economics focuses on the way in which subnational economies within a country (such as states) operate and function. Attention will be focused on how the regional economy works, its dependence on local and imported goods and services, the role of regional business cycles and the ways in which regions compete. Regional analysis aims to uncover the dynamics of location decision-making of both firms and individuals and the impacts these decisions have on the structure and structural changes of regional economies. Special attention will be directed to issues surrounding the role of households as providers of labor and consumers and the way their location decisions affect the growth and development of regional economies. The final parts of the course will address regional policies and equity-efficiency trade-offs, drawing on analysis in the US, EU and selected developing economies.

Evaluation

There will be a written mid-term and a comprehensive final. In addition, students are expected to complete a paper based on empirical analysis of a regions or regions within a country of their choice. The paper should be viewed as an opportunity to explore more deeply the structure, role and function of regional economies, drawing on published data.

Mid-term: 30%
Final: 50%
PAPER: 20%

Instructor

Geoffrey J.D. Hewings has been at Illinois since 1974; he holds appointments in the departments of Agricultural and Consumer Economics, Economics, Geography, Urban & Regional Planning and in the Institute of Government and Public Affairs. In addition, between 1989-2016, he was the Director of the Regional Economics Application Laboratory a unit that focuses on the development and use of models for impacts analysis, forecasting and policy decision-making. Hewings has also worked on urban and regional projects in Bangladesh, Indonesia, Japan, Korea, Canada, Australia, and most recently in Brazil, Chile, Spain and Colombia.
Course Policies:

Disability Services: This course will accommodate students with documented disabilities. Please refer to the Disability Resource Guide (http://www.disability.uiuc.edu/resourceguide) for more information and inform the instructor of any requests at the beginning of the semester.

Academic Integrity: The UIUC Student Code (http://www.admin.uiuc.edu/policy/code) requires all students to support academic integrity and abide by its provisions, which prohibit cheating, fabrication, plagiarism, and facilitation of these and related infractions.
Course Outline

January 23
Introduction: Regional Macroeconomics, Regional Income Analysis, Regional Science, Regional Economics, Economic Geography
Intellectual underpinnings for the course

Reading
Capello: Introduction
Stef Proost and Jacques-François Thisse, (2019) “What can be learned from spatial economics,” Journal of Economic Literature, 57(3) 575-643

January 30
Location Theory from von Thünen to the New Economic Geography

Reading
Capello: Chs. 1, 2 and 3

February 6
Theories of Regional Growth – From Borts & Stein to Barro & Sala-i-Martin
The perfectly competitive regional economy Role of imperfect competition, agglomeration Convergence/divergence – multi-level considerations (US, EU, Latin America)

Reading
Capello: Chs 4, 5 and 6

February 13
Modeling the Regional Economy I– Two-sector to Multi-sector Models

Reading
Capello: Ch 5

February 20
Modeling the Regional Economy II– Linked Models – Demo-Economic

Reading
Capello, Ch 5, 6
February 27  
**From the Circular Flow of Income to CGE models, Spatial CGE, Dynamic Models**

Reading  

**Mid-Term exam: March 6**

March 13 Spring Break (no class)

March 20  
**Equilibrium, Disequilibrium – modeling unexpected events**

Reading  

March 27  
**Regional Labor Markets: Competing Theories and Empirical Applications**

Reading  
Figueroa: (part of doctoral dissertation – to be posted on website)  

April 3  
**Demographic Challenges: Migration, Ageing and OLG Modeling, Endogenous Growth, Occupational Challenges**

Reading  
Capello, ch 10, 11

April 10
**Regional Economic Models: Applications using the REAL Systems**
Forecasting the regional economy
Impact Analysis: environmental accounting
Unraveling the heterogeneity of household demand Interregional Trade
Environmental Analysis

**Reading**
Kieran P. Donaghy, Clufford R. Wymer, Geoffrey J.D. Hewings and Soo Jung Ha (2017) “Structural change in the Chicago region and the impact on emission inventories in a continuous-time modeling approach,” *Journal of Economic Structures*

April 17
**Structural Changes in the Regional Economy: Measurement and Interpretation**
Theory
Role of interregional trade: testing the New Economic Geography (US, China, Japan)

**Reading**

Regional Business Cycles

Reading

April 27

Regional Development Policy – Growth Poles, Clusters, Smart Specialization, Fiscal Decentralization

Reading
Capello Ch 7, 8
David L. Rigby, Christoph Roesler, Dieter Kogler, Ron Boschma & Pierre-Alexandre Balland (2022) “Do EU regions benefit from Smart Specialisation principles?,” Regional Studies, 56:12, 2058-2073, DOI: 10.1080/00343404.2022.2032628

New Initiatives: Linking Regional Macro Models with Network Systems; Capturing Spillover Effects from Public Investment (SpVAR Modeling)
Regional economic analysis of unexpected events (hurricanes, floods, earthquakes) Port efficiency and regional development in Brazil; Austerity: Impacts of public investment in infrastructure BREXIT

Readings
Capello Ch 9, 10, 11


May 1

**Paper / Project Presentations**

**Paper due by 17:00 on May 5**

May 12

**Final Examination 8:00-11:00 a.m.**
Paper
The paper should reflect your interest in applying some methodology learned in your statistics or econometrics classes to a problem preferably in your own country or a country in which you plan to live. The paper should provide you with an opportunity to assemble relevant data and work towards developing some insight into a regional economics’ problem. **Feel free to partner with one other colleague in the class.** In the case of joint work, there should be a clear designation of who was responsible for which parts of the final paper.

The paper must be submitted, in printed form or electronically, by 17:00 on Friday May 5.

The paper should be structured in a form suitable for presentation either to a government department (such as ministry for regional development or for finance) or for submission to an academic journal. In both cases, it should contain the following:

**Title**

**Abstract**
One paragraph summary of the paper

**Statement of purpose**
What is the issue that you wish to address?
What are the objectives?
Guide to the structure of the paper

**Literature Review**
Cite and discuss no more than 3-5 relevant articles
Do not list them but focus on the value added they contributed and how you will use the methodology, ideas etc. in your own paper

**Methodology to be employed**
Be sure to cite relevant sources
Describe a set of hypotheses or expectations that you propose to test
(For example, if developing an econometric analysis, provide expectations on signs of coefficients)
If the paper will be for policy analysts, explain the outcomes in terms of their potential contributions to policy formation, monitoring or evaluation.

**Data**
Describe the source, type and coverage (regions, years etc.)
If doing time series analysis, be sure to present in constant currency values

**Results**
Describe your results and link back to the hypotheses you proposed in the Methodology section
If appropriate, consider the policy implications.

**Conclusions**
Provide a brief overview of the paper and highlight the value added you provided.
Be sure to note limitations and point to future research opportunities

**List of literature cited**