

University of Washington  
Geography 349  
**Response Paper 5**

Everyone should read and respond to

**Leichenko 2000**

- 1) What relationship between international trade (or, for that matter, intra-national, interregional trade) and regional economic growth is expected by:
  - a) export base theory?
  - b) factor endowment (factor-proportions) theory?
  - c) product cycle theory?
  - d) new trade theory?
  - e) endogenous growth theory?
- 2) What data sources did Leichenko use? For what years?
- 3) What relationships did Leichenko find between manufacturing exports and manufacturing employment, across the United States overall?
- 4) How did this relationship vary across the regions of the US? Why?
- 5) Explain two policy implications that Leichenko drew from her findings.

Students focused on Canada should also read and respond to

**Breau & Rigby 2010**

- 1) What did Stolper & Samuelson (in what is often called the “Stolper-Samuelson theorem”) suggest are the results of trade on factor payments (e.g., land costs, capital returns, and wages by type of labor)?
- 2) What has been the most common finding about the impact of Canada-US free trade on Canadian wages? How has this finding usually been explained?
- 3) What data sources did Breau and Rigby use? For what years?
- 4) What impact have imports from high-income countries had on Canadian manufacturing wages?
- 5) What impact have imports from low-income countries had on Canadian manufacturing wages?
- 6) How does this latter impact compare across Canadian regions? Why?
- 7) How does this latter impact compare across Canadian industries? Why?

Students focused on China should also read and respond to

**Sun & Parikh 2001**

Notes:

- Don't worry about the mathematical formulation of the model; I just want you to understand their basic premises, data sources, and conclusions.
- “Endogenous growth theory” is another term for what I've mentioned in class as “new growth theory,” in which technological change results from the application of capital and labor inputs – rather than technological change being exogenous to the theory (magically appearing over time).

- “Hicks-neutral technological change” entails increased productivity of all input factors, without a movement toward one particular factor. (For example, most studies agree that post-WW2 technological change in the US was not neutral, but increased the productivity of capital and highly skilled labor much more than other factors).

Questions:

- 1) What do they suggest are the possible economic impacts of export development, depending on the country’s existing economic structure?
- 2) What data sources did they use? For what years?
- 3) How has export development affected the different major regions of China?
- 4) How might their contingent generalizations (contingent on economic structure) (question 1, above) explain the effects of China’s export development on China’s regions?

Students focused on Mexico should also read and respond to Faber 2007

He didn’t really have to use so many initials! The most important are:

AF = agglomeration forces: the tendency of unit costs of production to be lower in locations where related industries concentrate, because of specialized labor, services, and infrastructure.

DF = dispersion forces: the tendency of unit costs of production to be higher in dense, capital-rich locations, because of higher costs of labor and congestion.

NEG = new economic geography; for our purposes, let’s simply say this emphasizes the benefits that producers gain from operating in close proximity – because of AF (above) and because of technological spillovers (the Silicon Valley effect).

CP = core-periphery models, which emphasize the differences between

- a) regions of economic concentration which benefit from AF and suffer from DF, and
- b) regions with relatively little economic activity, which suffer because of AF and may benefit from DF.

CA = comparative advantage models, which emphasize that different sectors locate in different places because of the sectors’ different factor requirements.

MP = market potential: how large is the demand (domestic or foreign) “near” a particular production location?

Questions:

- 1) What are the two major manufacturing regions in Mexico? How has trade liberalization affected their relative shares of manufacturing employment? How has trade liberalization affected their relative wages in manufacturing?
- 2) What data sources did Faber use? For what years?
- 3) Interpret Figure 5; explain why this four-way generalization makes sense. If government actions should “protect and assist the structural adjustment of contracting sectors [and regions] and promote the expansion of exporting ones” [p.588], what are the implications for Mexican federal-government policy in interior versus border regions?