September 12, 2018

Quick overview RENIR

intersection of regional economics, innovation studies, cluster studies

- are there "resilient" urban areas or regions in the face of shocks (technology, macroeconomic)? how measure?
- are clusters important? Kodak in Rochester, ICT in Toronto, autos in the Great Lakes Region?
- what makes an urban area or region more/less successful when previous industries fade? do certain characteristics make it more (less) likely that
- what of new technologies? will they result in "churn" at the industry or firm level? what are the implications of robotics, big data, and

= small international group with strong Italian and Canadian orientation, and within those Ontario/ Toronto and Piedmont/Torino.

= format: each person presents someone else's paper, then there's discussion. some of the presentations highlight things the author thought less important, and it's easier to keep people to their time limits.

» we can look at some of these topics once we've developed various frameworks in the earlier part of the term

• HW #1 for Friday. working with others is fine.

• Perfect competition

• start with S&D: **CS (consumer surplus) PS (producer surplus)**

- • value added to society by area above supply curve
- • value added by area below demand curve

= a measure of market efficiency is to maximize PC + CS

• **demand curve**: normal factors – market size, substitutes, tastes. we look at all:

- market size ←→ potential # of firms
- substitutes ←→ product differentiation, price discrimination and bundling
- tastes ←→ advertising
- incomes → not generally something we look at in Econ 243

• **supply curve**: look at production model: FC MC AC. reminder FC and diminishing returns

- used electric power as an example. [*guess what industry used as a case study in the paper I presented yesterday?!*]. flat MC for base load, but sharply rising MC to meet peak demand, which is on average the 2-6 pm timeframe.

• but what is demand for wheat farmer?

• **horizontal = price-taker** at grain silo (though can store for a fee ←→ futures market/insurance)

- needs homogenous product, large numbers suppliers

• when horizontal, **then MR = p**

= entry / exit perfect competition model: p=MR=MC for π maximization, entry/exit → π=0

• efficiency: drives to bottom of AC curve