

**Minutes of the  
Management Committee Meeting**

**COST Action IS1104  
The EU in the new complex geography of economic systems: models, tools and policy  
evaluation**

**Madrid, February 12 2014**

*The Committee met twice on the above date. The first meeting started at 11:00. The Chair (Pasquale Commendatore) welcome all participants and then the discussion followed the topics as listed in the Agenda.*

**1. Adoption of Agenda**

The committee agreed to follow the Agenda.

**2. Minutes of last meeting**

The committee approved the minutes of the previous meeting.

**3. Matters arising**

Discussion of matters arising from the minutes mentioned above was decided to be integrated with the discussion of other topics on the Agenda.

**4. Report from the COST Office**

Pasquale Commendatore announced that the deadline for submission of the progress report is the 14<sup>th</sup> of March.

**-News from the COST OFFICE**

The COST representative (Professor Snezana Bilic-Sotiroska – DC Rapporteur) informed the committee that from JUNE 2014 COST will be funded by Horizon 2020. She also informed the committee that the list of country participants will be renewed. The general feeling was that this will not have major repercussions for this Action although participants are advised to consider how the Action fits with Horizon 2020.

**-Status of Action**

Pasquale announced that FYR Macedonia is joining the Action and that the representatives of Iceland and Malta have resigned.

**5. Report form the Grant Holder**

The representative of the Grant Holder Guadalupe Trigo Rossier (Lupe) described the status of the budget for the 2<sup>nd</sup> year of the Action. She noticed that mainly due to lower participation than expected in Lisbon and Siena there is an estimated surplus in the budget of approximately 15,000 Euros. The committee suggested that initially 1/2 of that surplus to be reallocated to STSMs and 1/2 to Working Group Units (WGU). There will be a call for applications by the end of February. It was also decided that if there are no applications for WGU funding by the 5<sup>th</sup> of March the Chair is allowed to reallocate them for STSMs.

## **6. Progress report of Working Groups (WG)**

-WG1: There are three WGUs headed by Pasquale Commendatore, Roberto Basile and Ingrid Kubin, respectively. For more details see Appendix 1.

-WG2: There are two WGUs working on issues related to financial institutions headed by Florian Wagener and Alan Kirman (For more details see Appendix 2) and one potential WGU that will work on labour market issues that will be headed by Richard Upward.

-WG3: There are two WGUs headed by Michael Kopel and Herbert Dawid, respectively. For more details see Appendix 3.

-WG4: There are 4 WGUs headed by Luis Miguel Varela Cabo, Gian-Italo Bischi and Frank Westerhoff respectively. For more details see Appendix 4.

## **7. Action planning**

-Pasquale Commendatore mentioned that the Action is not required to participate in this year's Annual Progress Conference.

-Action budget planning and action planning

There will be a Training School meeting either in Vienna or Rome in February 2015.

The Chair proposed and the Committee unanimously decided that the Action will allocate year 3 funds as follows:

1,500 Euros for the development of the web page

30,000 Euros for STSMs

29,000 Euros for the Training School

45,000 Euros for WGUs with 3,000 Euros allocated to the Horizon 2020 WGU

Pasquale Commendatore urged the WG leaders to lead the creation of WGUs.

*At approximately 13:00 the first session was ended. The Committee reconvened at 17:30.*

## **8. STSMs**

Pasquale Commendatore suggested that the budget for STSMs is revised to: 400 Euros for travelling expenses (previous 300 Euros) and 100 Euros for daily expenses (previous 90). Marcel Ausloos made a counterproposal that would lift the limits given that the budget is in surplus, arguing that this would offer more flexibility. The Committee voted in favour of Pasquale Commendatore's proposal. The MC voted also for the new rule that each researcher cannot apply more than two times within a Grant Period. Exceptions can be taken into account in the presence of residuals due to underspending. The Committee also voted that new proposal will be applied from the next Call. The MC also voted the rule that each researcher cannot apply more than two times within a Grant Period. Exceptions can be taken into account only in the presence of residuals due to underspending.

## **9. Publications, dissemination and outreach activities**

Pasquale Commendatore made the following announcements:

- It has been good news for the Action that such a prestigious journal as the Journal of Economic Dynamics and Control will publish an issue edited by the Action.
- By the end of March the chapters for the Edited Volume produced by the Action in Year 1 will be sent to the publisher.
- The Working Paper series will be soon launched (see below for more...).

#### **10. Request for new members**

There were 8 new applications for new members proposed by Pasquale Commendatore and Florian Wagener. The Committee approved all new additions.

#### **11. Gender Balance and Early Stage Researchers**

It has been generally acknowledged that more effort should be put in encouraging the participation of early stage researchers in the Action. The Committee thought that the best way to do it is by allocating more STSM funds for visits by early stage researchers.

#### **12. Non-COST country participations**

The Action will consider the participation of Australia and Japan.

#### **13. WEB news**

Maria Bostenaru-Dan, Constantine Manasakis, Declan Jordan and Davide Radi will help with the development of the WEB page and the Working Paper series. Pasquale Commendatore will distribute a questionnaire to participants. The answers will (a) help him to draft the year-end Action Report, and (b) provide useful input for the webpage.

*The meeting ended approximately at 19:00.*

## Appendix 1

### ***Working Group 1 (WG1): Economic Geography modeling***

Unit 1. Multiregional NEG models (leader Pasquale Commendatore);

Unit 2. Spatial Econometrics (leader: Roberto Basile);

Unit 3. Dynamic modelling of NEG models (leader: Ingrid Kubin).

#### Unit 1

Title: Multiregional NEG models

Task:

Building up a multiregional New Economic Geography model.

In the first year, we have prepared a review of the most relevant literature, to be part of a book published by Springer. During the second year the objective is to identify the basic ingredients of a new model for example (a sufficiently general and easily manageable utility function, a basic transport network that captures existing features of EU regions).

Expertise required:

Knowledge of NEG literature, networks analysis, matrix analysis, spatial econometrics.

First meeting: Urbino, 3-4 of February 2014.

Members: Pasquale Commendatore, Ingrid Kubin, Pascal Mossay, Roberto Basile, Lars Westin, Rosalba Rombaldoni, Riccardo Pozzi, Luis Miguel Varela, Dunia Lopez, Giulia Rotundo.

#### Unit 2

Title:

Spatial Econometrics

General Task:

Empirical and methodological contributions to the spatial econometrics literature. We (Pasquale and me) are particularly interested in analyses aimed to test the predictions of multiregional New Economic Geography (NEG) models.

Expertise required:

Knowledge of spatial econometrics, NEG literature, networks analysis, matrix analysis.

At the moment, I have received request of membership to WG1U2 from

Eckhardt Bode, Kiel Institute for the World Economy, Kiel, Germany (External expert)

o Research Project: Empirical work on NEG

- Jesus Mur, University of Zaragoza, Spain

o Research Projects: Development of semiparametric spatial econometric models and Bootstrapping spatial series

- Luca De Benedictis, University of Macerata, Italy (External expert)

o Research Project: Trade, networks analysis and spatial econometrics

- Alexandra Parteka, Gdansk University of Technology, Poland

o Research Project: Trade and spatial econometrics

### Unit 3

Title:

Dynamic modelling of NEG models

General Task: Study the dynamic properties of the migration processes involved in NEG models

Expertise required: NEG literature, Mathematical Theory of Dynamical Systems

Ingrid Kubin, Pasquale Commendatore, Laura Gardini , Iryna Sushko

## **Appendix 2**

### **The Geography of Financial Networks**

#### **Proposal for an activity for a Working Group Unit**

**Spiros Bougeas and Alan Kirman**

The idea that geography was no longer important in the global financial system has been countered by research showing the importance of place. Geographers responded to the “end of geography” thesis by showing that space, place, and location remain essential to financial practices and to the shifting geography of finance. In particular what has been shown to be important is the global and local connectivity of financial flows and networks (tacit knowledge and relational proximity), the spatial patterns of financial services, uneven development and financial exclusion, and the creation of new financial spaces (world cities and financial centers, both offshore and onshore) shaped by the de- and re-territorialization of global economic space brought about by the growing power of finance.

A number of authors such as Coe et al. (2013) have tried to integrate the financial sector into the global production network and show that the geographical aspect is also important for that sector. Again studies of the growth of offshore financial centers and tax havens have shown the link between location and legislation and its influence on the location of financial activity.

Certain financial networks have been studied in detail such as the Austrian banking sector (Boss et al. (2003) but the emphasis was on the topology and not on the geographical proximity of the banks.

A number of studies have been undertaken along these lines and in November a document has been circulated proposing the creation of a COST project on the geography of finance which is called COST Network: Geographies of European Finance (GEUROFIN) and which is organised by *Prof Brian Lucey, School of Business, Trinity College Dublin – and Dr Martin Sokol, Department of Geography, Trinity College Dublin*

The objectives of this group complement those of ours but do not specifically target network analysis. However, it would clearly be of interest to invite some of the participants to a workshop and to establish working contacts with them.

Our specific proposal is to hold a conference on the geography of financial networks and among the questions that could be discussed are :

- The notion of distance in financial networks. To what extent is geographical proximity now relevant in financial markets ?

- What constitutes a link in these networks and does the nature of the link change the importance of geography ? Are banks which are close in space more likely to make each other loans and are shared ownerships more important between countries which are close to each other ?
- Do contagious bank failures have a geographical pattern as they have been shown to have by Schweitzer in the U.S.
- Is the spatial graph of financial relations within the Eurozone different from that in the rest of Europe ?

This list is clearly far from being exhaustive but gives an indication of the sort of approach we envisage.

A conference could be held either in Aix en Provence or in Nottingham and could be over 2 or 3 days., with 5 to 10 participants.

### **Some references to related literature**

Boss Michael & Helmut Elsinger & Martin Summer & Stefan Thurner, 2004. "Network topology of the interbank market," Quantitative Finance, , vol. 4(6), pages 677-684.

Clark, G. L. and O'Connor, K. 1997. The informational content of financial products and the spatial structure of the global finance industry. In *Spaces of Globalisation* edited by K. Cox. New York: Guilford, 89-114

Coe, N. M., Lai, K. P. Y., Wojcik, D. 2013. « Integrating finance into global production networks » Working Paper, Available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2252622](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2252622)

Schweitzer F, G Fagiolo, D Sornette, F Vega-Redondo, A Vespignani, DR White 2009, « Economic networks: The new challenges » *Science* 325 (5939), 422

Zorome, A. 2007. Concept of offshore financial centers: In search of an operational definition. IMF Working paper no. 07/08.

## Appendix 3

### Working Group Units (WGU) within Working Group 3 “*Social and industrial interactions*”

- **WGU 1 on “Location models, governance, and strategy”**

*WGU leader: M. Kopel (also leader of WG 3)*

Topics to be studied in various projects within this WGU

- Interaction of location choice and (i) sourcing strategies, (ii) internal governance
- Mixed oligopoly and evolutionary modeling

Connection with MoU

The topics of this WGU fit with the MoU, section D1. Scientific focus, (iii) A detailed study of social and industrial interactions.

Goal of the WGU

We are trying to understand the (endogenous) heterogeneous choice of firms concerning key business variables. Findings will be published in leading journals in economics and presented at international conferences and workshops.

Members: F. Lamantia, M. Pezzino, J. Tuinstra, M. Kopel, G.I. Bischi, D. Radi

First meeting: March 25-29, 2014, location: Univ. of Amsterdam (host: Tuinstra)

Further meetings (TBA): Univ. of Graz (2014, host: Kopel), Manchester (2015, host: Pezzino)

- **WGU 2 “Location, R&D cooperation & competition, and spillovers”**

*WGU leader: H. Dawid*

Topics to be studied in various projects within this WGU

- Location choice, R&D cooperation and R&D competition
- R&D networks and spillovers

Connection with MoU

The topics of this WGU fit with the MoU, section D1. Scientific focus, (iii) A detailed study of social and industrial interactions.

Goal of the WGU

We are trying to understand the (optimal) choice of firms’ R&D strategies in oligopolistic markets. Findings will be published in leading journals in economics and presented at international conferences and workshops.

Members: H. Dawid, L. Colombo, M. Kopel, B. Zou, P. Kort (external expert)

First meeting: Feb 23-28, location: Univ. of Bielefeld (host: Dawid)

Further meetings: TBA

## Appendix 4

Working Group Units (WGU) within Working Group Working Group Unit (WGU) within WG4 «Mathematical and computational methods and tools»

### **WG4 Unit 1 "Complex networks and nonlinear production models for economic geography"**

WGU leader Luis Miguel Varela Cabo

Members:

Luis Miguel Varela (WGs 1 and 4)  
Marcel Ausloos (WG4)  
Giulia Rotundo (WG4)  
Carlos Ricoy (WG2)  
Jesús Carrete (WG4)  
Trinidad Méndez-Morales (WG4)  
Yuriy Rogovchenko (WG4)  
Pasquale Commendatore (WGs 1, 2, 3, 4)  
Mariano Matilla (WG4)  
Matteo Chinazzi (WG2)  
Dunia Lopez Pintado (WG4)

Next Meeting: Madrid 14 February 2014

### **WG4 Unit 2**

1. Name: Positive welfare effects of barriers to entry in a dynamic equilibrium model
2. Leader: Frank Westerhoff
3. Prospective members:
  - Jan Tuinstra (WG2 & WG4)
  - Michael Wegener (WG2 & WG4)
  - Frank Westerhoff (WG2 & WG4)

4. Research plan:

We are working on a project called "Positive welfare effects of barriers to entry in a dynamic equilibrium model", and we plan to produce a paper with the same title.

This fits with the following point of the Action's Memorandum of Understanding:

"5. computational simulations of different economic policy scenarios"

WGU-meeting: Amsterdam, October 2013

**WG4 Unit 3 title: „Numerical tools for dynamical systems in econometrics and regional sciences“**

WGU leader: Gian Italo Bischi

Members: Roberto Basile, Gian Italo Bischi, Laura Gardini, Fabio Lamantia, Anastasiia Panchuk, Davide Radi

Topics to be studied within this WGU: numerical methods and software tools for the analysis of nonlinear dynamic models (both in continuous time and discrete time) in econometric models and regional sciences.

This WGU may collaborate with members or WGU in WG1 in order to apply the programs to multiregional models of the New Economic Geography.

Connection with MoU

The topics of this WGU fit with the MoU, section D1, Scientific focus, (iv) Development of mathematical and computational methods and tools

First meeting: February 4

Location: Urbino

The participants at this first meeting were Roberto Basile, Gian Italo Bischi, Laura Gardini, Fabio Lamantia, Davide Radi. The decisions taken are the following:

- During the third year of the COST Action a training school on Spatia Econometrics and related tools will be organized in Vienna (chairs: Roberto Basile, Ingrid Kubin);
- In the meantime numerical tools and related software development for the simulation of discrete dynamical systems will be developed, with the possibility (to be checked) of a meeting (or training schools) on these topics during the fourth year of the Action.

Next meetings (approx.)

- September 2014 again at Urbino
- February 2015 in Vienna during the tutorial School.

**WG4 Unit 4**

Title: "Industrial organization and market stability".

Leader: Tõnu Puu

The members are Anastasiia Panchuk, Jose Canovas, Diana Mendez, and Tõnu Puu.