

“CIGS Prof. Kiminori Matsuyama Seminar”

Date & time: 14th January 2015 (Wednesday) 14:00 - 16:00

Venue: CIGS Meeting Room
(11th Floor, ShinMarunouchi Building
5-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo)

Theme: “Globalization and Synchronization of Innovation Cycles”

Speaker: Prof. Kiminori Matsuyama
(Professor, Northwestern University)

Moderator: Keiichiro Kobayashi, Research Director, CIGS

Language: English

Abstract of the Speech:

We propose and analyze a two-country model of endogenous innovation cycles. In autarky, innovation fluctuations in the two countries are decoupled. As the trade cost falls and intra-industry trade rises, they become synchronized. This is because globalization leads to the alignment of innovation incentives across firms based in different countries, as they operate in the increasingly global (hence common) market environment.

Furthermore, synchronization occurs faster (i.e., with a smaller reduction in trade costs) when the country sizes are more unequal, and it is the larger country that dictates the tempo of global innovation cycles with the smaller country adjusting its rhythm to the rhythm of the larger country.

These results suggest that adding endogenous sources of productivity fluctuations might help improve our understanding of why countries that trade more with each other have more synchronized business cycles.

Speaker's profile:

Kiminori Matsuyama's research interests concern international trade and economic

growth and development. He is particularly interested in understanding the processes that lead to macroeconomic instability over time and also inequality across countries, regions, and households. He is a Fellow of Econometric Society. He was the 1996 winner of the Nakahara Prize awarded to the best young economist by the Japanese Economic Association. He currently serves as an associate editor of the *Journal of Economic Theory* and the *Journal of the Japanese and International Economies*.