

Rettevejledning Winter 11 Europe in the World Economy

1. The first question relates to the discussion in sections 2.1-2.4, 2.9, 3.2-3.4 and section 4.1.

Basically the answer should contain an exposition of the Smithian story about gains from division of labour and the problem of land constraint. A discussion on if and when land constraints are binding and the consequences of technological progress in agriculture and reclamation of land is the elements of a good reply.

2. Estimates of growth are found in section 4.2 and table 6.1. A formal or at least intuitive understanding of total factor productivity is required. A discussion on the 'dual' approach, Appendix to Ch.4 is a plus.

3. Non-rival is defined in the Glossary. The answer to this question can be short just pointing out that it is a great advantage to backward economy which can imitate existing knowledge

4. A more detailed discussion of technological catch-up can be postponed to question 4 along the lines exposed in section 6.5. In particular the role of structural change should be stressed as a contribution to catch-up as discussed on p. 111.

5. The relevant part of the textbook is sections 6.5 and 6.6. The major points here is to acknowledge that there is a considerable time lag of Iberian economies and Ireland starting its convergence process after WWII while Scandinavia started before WWI. Factors worth mentioning as an explanation is differences in educational attainments, patent registrations as an indicator of technological maturity, see Figure 6.1, openness to trade, political factors (fascism vs democracy)

6. The question draws on section 9.3.2 and 10.2. The major point here is to contrast the performance of economies which returned to pre-WWI gold parities, UK and Scandinavia, which had to deflate and those economies, say, France which devalued its currency relative to pre-WWI levels. The situation was then reversed by the break down of the Gold Standard. Early devaluations paid off handsomely while France trailed behind.

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7. Here section 12.2 and 12.3.2 are the relevant sources. It should be pointed out that it is both politics and technology that matters. On the policy side trade liberalization should be discussed, and on the technology side transport cost decline,, in particular long haul railway rates. However the role of improved market efficiency as triggered off by swifter information transmission by means of the telegraph should be mentioned.