**UNIVERSITY OF PORTSMOUTH**

**Portsmouth Business School**

**Department of Economics**

**REGIONAL & LOCAL ECONOMIC ANALYSIS (ECON 323)**

**Level 3 Semester 1**

**2002/03**

**Answer ONE question from section A and ONE question from section B**

**USE A SEPARATE ANSWER BOOK for each question**

**Time allowed: 2 hours**

**Unit Coordinator: D Clark**

### Department: Economics

#### SECTION A - ANSWER ONE QUESTION ONLY

EITHER

1 Within a Keynesian regional multiplier framework, examine the role played by the marginal propensity to consume locally produced goods and services in determining regional income.

OR

2(i) An input-output transactions table for the fictitious Portsea economy is shown below.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Sector A | Sector B | Sector C | Final demand | Gov. purchases | Exports | Invest | Gross Output |
| Sector A | 20 | 40 | 0 | 20 | 0 | 20 | 0 | 100 |
| Sector B | 20 | 20 | 10 | 75 | 10 | 55 | 10 | 200 |
| Sector C | 0 | 40 | 10 | 25 | 20 | 5 | 0 | 100 |
| Household services | 40 | 45 | 70 | 5 |  |  |  | 160 |
| Government services | 10 | 15 | 5 |  |  |  |  | 30 |
| Imports | 10 | 40 | 5 |  |  |  | 5 | 60 |
| Gross Input | 100 | 200 | 100 | 125 | 30 | 80 | 15 | 650 |

The matrix of multipliers (I-A inverse matrix) obtained from the transaction table above is also set out below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Sector A | Sector B | Sector C |
| Sector A | 1.326 | 0.302 | 0.034 |
| Sector B | 0.302 | 1.208 | 0.134 |
| Sector C | 0.067 | 0.268 | 1.141 |

 Using these two tables calculate the Type 1 sector output and household income multipliers for the Portsea economy (50% of marks).

2(ii) Discuss why the regional modeller might prefer to use Type 2 rather than Type 1 sector output and household income multipliers and highlight any difficulties this might present (50% of marks).

OR

3 ‘The neo-classical model of regional growth is doomed to failure because its underlying assumptions are too restrictive’- Discuss

**SECTION B - ANSWER ONE QUESTION ONLY**

EITHER

4. Compare and contrast the classical and human capital models of regional migration, outlining the advantages and disadvantages of each.

OR

5. ‘Inter-regional migration may exacerbate local unemployment problems’ – Discuss.

OR

6. ‘Good transport linkages are one of the essential ingredients for economic and social inclusion’ - Discuss

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**Re-sit Examination**

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**Time allowed: 2 hours**

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#### SECTION A - ANSWER ONE QUESTION ONLY

EITHER

1 ‘The decision to build a new production plant in Portsmouth has positive economic benefits in excess of the output of the plant itself’ - Discuss

OR

2. What are the main problems associated with regional/local input-output modelling?

OR

3 How might the inclusion of technical change inject more realism into the one sector neo-classical regional growth model?

**SECTION B - ANSWER ONE QUESTION ONLY**

EITHER

4. Describe the classical model of migration, highlight its restrictive assumptions and evaluate how well the model has performed in practice in the UK, for the period from 1961 to 1996.

OR

5. Given the generally accepted fact that regional unemployment disparities are more persistent in Europe than the USA, what are the main reasons for the slower rate of labour market adjustment in Europe than the USA?

OR

6. "Transport infrastructure investment acts as a complement to other more important underlying conditions, which must also be met if further economic development is to take place" (D Banister & Y Berechman, 2001).

Discuss the above statement highlighting the necessary conditions, which must be present to allow economic development to take place.