Sample Questions for Regional Policy and Rural Areas
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1. Define the term 'region' and list three types of region that are commonly referred to. Regions can be identified on the basis of homogeneity or function: Explain these two concepts using examples.

2. Use either a graph or a simple numerical example to illustrate that the regional provision of a public good is always, in welfare terms, at least as advantageous as centralised provision. Explain how this conclusion must be modified if the provision of the public good in question is associated with positive economies of scale.

3. Consider two public goods such as national defence and the provision of day-care services. Use a graph to illustrate how an optimal degree of decentralised provision results from the consideration of economies of scale on the one hand and the welfare losses associated with centralised provision on the other. What would be the practical implications of following this logic for all of the public goods that citizens expect their governments to provide?

4. What levels of government should, from an economic point of view, be assigned the power to collect what types of tax? Why, for example, are land taxes and user fees generally collected at the local level?

5. Decentralisation is sometimes seen as a means of controlling public sector growth and encouraging public sector innovation. Discuss arguments that support this point of view.

6. In 1961, ROBERT MUNDELL wrote *A Theory of Common Currency Areas* in which he discussed the optimal regional range of a single currency. What are the important characteristics of an optimal currency area according to MUNDELL? Explain the importance of asymmetric shocks in this connection and discuss whether you feel that the European Monetary Union constitutes an optimal currency area.

7. Define and contrast the neoclassic, the behaviourist and the new economic geography approaches to location theory.

8. Explain how, in simple one-dimensional space and in the presence of linear transport costs, a firm will decide where to locate between its input market m_I and its output market m_O. Explain why the assumption of linear transport costs is not realistic.

9. Using graphs explain how location rent is derived as a function of distance from a central market, and how the location rents for different products combine to generate VON THÜNEN's concentric rings.

10. Explain how CRISTALLER's concepts of a firm's minimum and maximum reach lead to a hexagonal structure of markets on a uniform two-dimensional plane. Outline how the superimposition of different hexagonal structures can lead to market hierarchies as developed by CRISTALLER and by LÖSCH.

11. KRUGMAN has outlined a simple graphical model that demonstrates what factors lead to agglomeration in a simple two-region world in which manufactured goods and agricultural goods are produced. Outline this model and explain what two important departures from standard neoclassical location theory can lead to agglomeration.

12. What are agglomeration effects? Classify the different types of agglomeration effects and their relationship to one another.

13. Outline the basic structure of export base development theory. Derive and explain the export multiplier.

14. Outline the main limitations of export base theory with particular reference to factor markets and the so-called Dutch disease phenomenon.

15. Explain the basic structure of an input-output table and outline the derivation and the significance of the Leontief inverse.

16. Derive and explain SOLOW's fundamental equation of capital accumulation. Use a graph to illustrate the prediction of convergence to steady-state levels of income and capital intensity as predicted by SOLOW's neoclassical growth model.

17. SOLOW's neoclassical model of growth is based on the assumption of a closed economy. If this assumption is relaxed to allow factor mobility are the basic predictions of the neoclassical growth model refuted? Explain.

18. Discuss the attempts to verify the SOLOW growth model. What is the so-called SOLOW residual? To what did SOLOW attribute this residual and to what developments in the literature did this lead in the 1980s?

19. Authors such as MANKIW, ROMER AND WEIL and BARRO are proponents what might be called 'conditional convergence'. What factors besides capital intensity do these authors include in their accounting equations? Explain the so-called 'conditional convergence' that these authors have found evidence for.

20. The so-called new growth theory has focused on the endogenisation of technical change. Since technical innovations have a public character, private firms will not have an incentive to invest the socially optimal amount of resources in the creation of such innovations. Why do firms nevertheless engage in research and development? Explain the roles played by returns to scale, government intervention such as patent laws, spill-over effects and personal incentives.

21. Advocates of polarisation theory distinguish between positive and negative circular effects or feedback in regional development. Assume a factory closes in a small town. Contrast the neoclassic and polarisation theory attempts to explain the economic reactions that will be induced by this closure.

22. New growth theory and polarisation theory provide *prima facie* justifications for an active government role in regional development. Outline a number of practical limitations that might lead one to question a government's ability to apply the optimal regional policy thus justified.

23. Provide a brief overview of the history of the EU's regional policy. Focus in particular on the EU's progressively increasing active participation in the design and implementation of regional policy.

24. The EU's regional policy is based on four key principles. List and briefly explain these principles.

25. The first principle of the EU's regional policy, the so-called 'concentration of effort', led to the creation of five (plus one) so-called 'objectives' prior to 2000. Briefly outline what these objectives are and discuss whether or not in your opinion the principle of concentration of effort was well served.

26. What major changes to the EU's regional policy took place as a result of the *Agenda 2000* and what additional changes are expected as of 2007?

27. The expansion of the EU to include several eastern European countries will place great strains on the EU's regional policy. Discuss the nature of these strains. At the same time, the prospect of receiving large streams of EU financing calls the absorptive capacity of these countries into question. What is meant by absorption in this context and why is it a potential problem?

28. What is "Zipf's law" and what is its relevance to regional economics?

29. The German *Finanzausgleich* has come under considerable criticism in recent years. Explain briefly how the *Finanzausgleich* functions and outline the major criticisms of the *Finanzausgleich* that have been raised.

30. Discuss the nature and the distribution of the regional impact of the EU's Common Agricultural Policy.