**UNIVERSITY OF PORTSMOUTH**

**Portsmouth Business School**

**Department of Economics**

**REGIONAL & LOCAL ECONOMIC ANALYSIS UO4735**

**Level 3 Semester 1**

**2005/06**

**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. ‘The decision to locate a major new manufacturing plant in the City of Portsmouth is bound to have an economic impact on the local economy far greater than the value of the initial investment’.

Discuss

OR

2. With reference to the input-output approach to modelling the local economy, what is the principle difference between type 1 and type 2 multipliers? Demonstrate how an increase in demand for one sector’s exports might also affect other sectors of the economy.

OR

1. Compare and contrast the main differences between the neo-classical and export-base approaches to regional economic growth theory? In your opinion, which of the two theories offers the most realistic explanations of disparities in regional economic growth?

Explain the reasons for your conclusion.

**SECTION B - ANSWER ONE QUESTION ONLY**

EITHER

1. Compare and contrast the classical, job search and human capital models of regional migration, outlining the advantages and disadvantages of each model.

##### OR

1. Explain the phenomena of hidden unemployment, its causes and how it might be detected in a regional/local labour market.

##### OR

1. ‘Ricardian trade theory offers only a partial explanation of regional economic specialisation’

Discuss, with particular attention to alternative theories that might explain a region’s strong competitive advantage in interregional trade.

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**Re-sit Examination**

**2005/06**

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**Time allowed: 2 hours**

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### Department: Economics

#### SECTION A - ANSWER ONE QUESTION ONLY

EITHER

1. Discuss the relative merits of the regional multiplier and input-output approaches to estimating the impact of a major new investment project in a small open economy.

OR

2. 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

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

1. 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 30 years period from 1961 to 1996.

OR

5. In the UK, regional unemployment rate disparities have been very stable over a long period of time; one possible reason is that labour markets adjust very slowly to disequilibria. Explain why this might be so.

OR

6. With reference to empirical studies what factors are likely to explain the variation in wage flexibility between regions?