

European Economic Policies (part III) Spring 2013/2014

Assignment: Due on April 30th 2014

General information

This problem set MUST be solved individually. Each student MUST turn in the copy of the solution on paper support. Do not forget to identify at the beginning of each page. There are not specific requirements about the format (font, lines etc) of the document students are expected to turn in.

1 Exercise #1

Let us consider a framework *à la* Krugman (1991 or 1999) with two regions (North and South). We assume we have a group of perfectly mobile firms and mobile workers. Only farmers are immobile, and we assume they equally spread across the territory. Consider the case of one firm which would like to open a second plant. Transport costs exist but we do not know their level. In this circumstances,

1. If all firms have a single plant in the South, what is optimal for your firm ?
2. Suppose that all firms have two plants, one in each location: what is optimal for your firm ?

2 Exercise #2

(a) When the Single Market was launched, European leaders asserted that it would improve the competitiveness of the European firms. Is it true? Discuss your answer.

(b) How could you explain the creation of big national or transnational corporations (such as Vodafone)? Discuss with a graph, if appropriate.

3 Exercise #3

Outline the structure and the evolution of the EU regional policy.

1. Are they successful?
2. European countries become more specialized because of the integration process. Is it possible to design a European policy to stop this specialization process?
3. Do European territories experience a convergence process ?

Discuss with data when appropriate.