

EC120 The World Economy in Historical Perspective

Assignment 2

This assignment must be submitted **no later than 12:00 on Monday 19 March 2012** via the University's *Online Coursework Submission* facility. You are welcome to submit assignments before the deadline but those submitted later will normally attract a mark of **zero**. The submitted file should not be watermarked. No paper copy should be submitted.

Late assignments will not be accepted for assessment — no extensions will be granted. See the *Undergraduate Economics Handbook*: "Coursework: assignments, tests and term papers".

You are responsible for complying with the *Undergraduate Economics Handbook*: "A Guide to Good Practice in Assessed Work".

You are strongly advised to read and follow the guidance in the *Undergraduate Economics Handbook*: "Making the best of your essays, term papers and projects".

EC120-4-FY: If you are a **first year** student answer ONE of the following questions in an essay of at most 3,000 words.

1. Outline the ways in which international trade fostered industrialisation in the 18th and 19th centuries. Would you agree with Findlay and O'Rourke that "... if Britain had been closed to trade, the Industrial Revolution could not have been sustained"? Explain.

Guidance:

References: see items on the reading list for weeks 9 and 16. In view of the breadth of this question, it would be reasonable for you to restrict the time period covered until the middle of the 19th century – say c1860 – when the first major phase of industrialisation in Britain, at least, was approaching maturity.

Your answer should briefly outline the main aspects of industrialisation during the period (the sectors most affected, location of industrial development and the approximate chronology of the developments). In order to place the role of international trade in context, you should briefly discuss what other factors were relevant – it wasn't *only* international trade that may have fostered industrialisation. Also, you should comment on the ways, and the extent to which, the relationships between international trade and industrialisation may have evolved during the period in question, bringing in, for example, the role of government policies (bearing in mind that policies changed over time).

All of your discussion should, of course, be presented in such a way that you project it to the reader as an answer to the second part of the question as stated: keep the question, as stated, in the front of your mind as you plan your essay.

2. How did the Bretton Woods arrangements for international monetary payments adopted in 1944 differ from the classical gold standard as it operated before 1914? Discuss the extent to which these differences can account for the performance of the Bretton-Woods system in the two decades before its disintegration in the early 1970s.

Guidance:

References: see items on the reading list for weeks 18 and 22. Remember that each of the listed items includes further references and in your searches you may come across still others of interest. In view of the essay's word limit, you will soon have more than enough material for the topic. Your main task will be to consider what you

believe are the most important aspects of the differences in the two international payments systems.

Your answer should briefly outline differences in the circumstances of the adoption of the two payments systems, differences in the ways in which payment imbalances could be addressed, differences in the policy tools available and their changing effectiveness over time, and, finally, differences in political commitment to exchange rate stability.

All of your discussion should, of course, be presented in such a way that you project it to the reader as an answer to the second part of the question as stated: keep the question, as stated, in the front of your mind as you plan your essay.

EC120-5-FY: If you are a **second year** student answer ONE of the following questions in an essay of at most 3,000 words.

1. Outline, and critically evaluate, the principle of comparative advantage in seeking to explain the expansion of international trade in the 18th and early 19th centuries. Would you agree with Findlay and O'Rourke that "... if Britain had been closed to trade, the Industrial Revolution could not have been sustained"? Explain.

Guidance:

See the guidance for EC120-4-FY, above. Second year students should try to make explicit the role of 'comparative advantage' in the discussion: you should find the analysis in Findlay and O'Rourke particularly helpful here.

Your essay could also include a brief over view of the principle of comparative advantage – but be sure to integrate it with the rest of your answer (not just leave your explanation 'hanging' in isolation from how it is applied). Notice also that you are expected to *evaluate*, not just to state the principle, i.e., to discuss the role of the principle in the context of the historical experience.

2. How can the Bretton Woods agreement of 1944 serve to illustrate the 'international trilemma', that national governments cannot simultaneously achieve all three of: (i) a fixed exchange rate; (ii) unrestricted international movement of capital; (iii) monetary independence (i.e. control over the stock of money)? Discuss the extent to which the tensions revealed by this trilemma help to account for the disintegration of the Bretton-Woods system in the early 1970s.

Guidance:

References: see items on the reading list for weeks 18 and 22. The trilemma holds that at least one of the three features must be sacrificed. Your essay should make clear which one(s) was (were) sacrificed, and when.

All of your discussion should, of course, be presented in such a way that you project it to the reader as an answer to the second part of the question as stated: keep the question, as stated, in the front of your mind as you plan your essay.
