WRITE ALL ANSWERS ON THE SEPARATE ANSWER SHEET

Humboldt-Universität zu Berlin

Institut für Wirtschaftsgeschichte
Prof. Dr. Nikolaus Wolf

Final Examination (I)
European Economic History (Part II)
19 July 2011, 2pm
Summer 2011

Time: 90 Minutes

Matriculation number/Matrikelnummer: ....
Family name/Familienname: ....
First name/Vorname: ....

Exam/Klausur Note: .... / 60
Total/Gesamtpunktzahl: .... /60

Allowed auxiliary materials: Calculator/ Erlaubte Hilfsmittel: Taschenrechner

Please read the following carefully:

Note: There are four questions with subsections. Please answer **TWO** of the four completely. Maximum number of points: 60 points. Use the answer sheet only for your solutions. Check, if you have all **two problem sheets**. Follow the instructions to each problem. Write down your name and student ID number on the front page of your answer sheets. Please write legibly! You can answer the exam either in English or German! Good luck!

Wichtiger Hinweis: Es gibt vier Fragen mit Untergliederungen. Beantworten Sie bitte ZWEI der vier Frage vollständig. Maximale Punktzahl: 60 Punkte. Benutzen Sie nur die vorgesehenen Lösungsblätter zur Lösung. Überprüfen Sie, ob alle **zwei Aufgabenblätter** vorhanden sind. Beachten Sie sorgsam die jeweiligen Anweisungen zu den Aufgaben. Versehen Sie zunächst das Deckblatt der Lösungsblätter mit Ihrer Matrikelnummer und Ihrem Namen. Die Beschriftung muss lesbar sein! Die Klausuraufgaben dürfen auf Englisch oder auf Deutsch beantwortet werden. Viel Erfolg!

Question 1: War, Sovereign Debt and Inflation (30 Points)

As shown in table 1, many European States were heavily indebted at the end of the First World War.

Table 1 Government Debt before and after the Great War

	Germany		UK		France	
	Mrd. Goldmark	% of GDP 1913	Mrd. Pound Sterling	% of GDP 1913	Mrd. Goldfrancs	% of GDP 1913
GovDebt 1913	32.8	63	711	33	33637	67
GovDebt 1920	25.2	48	3160	144	66953	135
A-Reparations	10	19	-			
B-Reparations	42	80				
C-Reparations	80	152				
Sum of reparations	157.2	299				

a) Explain briefly the options that were available to the named three governments to reduce the burden of their debt. Why did it matter that a significant share of the debt was denominated in gold or foreign currency and held by creditors abroad? (15)

b) Keynes argued in 1920 that Germany could not possibly transfer the amount of resources requested by the reparations commission, putting forward some rather orthodox arguments. Considering these arguments as well as other factors, would you agree that the German government in the early 1920s was indeed unable to pay the reparations? (15)

Question 2: The Economics of Nazi-Germany (30 Points)

The Nazis started to pursue a policy of credit expansion and public spending immediately after they gained power in 1933.

a) Briefly describe the main instruments used by the Nazis for this credit expansion. (5)

b) It has been shown that some of these instruments had been developed by the Brüning, Papen and Schleicher administrations in 1930/32. Can you explain why Brüning was reluctant to use them? (10)

c) Discuss critically to what extent these policies as implemented by the Nazis can be described as “Keynesian”. (15)

Question 3: The Golden Age and its end (30 Points)

a) Assume a standard Solow growth model (for simplicity without technological change), where output per capita increases linearly in capital per worker, and capital accumulation is driven by savings less the rate of depreciation. Interpret the Second World War as a temporal exogenous shock to the capital stock. Based on the evidence in Temin (2002), please discuss to what extent such a model can or cannot explain the occurrence of the Golden Age of Growth in Western Europe. (15)

b) The Golden Age came to an end around 1970, with a significant decline in growth rates accompanied by rising inflation. Do you think this was avoidable? (15)

Question 4: Energy Markets and the European Economy (30 Points)

a) Briefly explain the concept of an “energy policy trilemma”. How does this compare to the “macroeconomic policy trilemma”? (5)

b) Use the framework of the “time inconsistency problem” to discuss how the oil-price shocks in the 1970s affected the monetary policy of a typical (small open) European economy. (10)

c) Over most of the last 150 years, the majority of European states pursued a policy of stable exchange rates with their European neighbors, which culminated in the creation of the Euro. Among the countries that stayed out of the Euro by choice are Europe’s two largest oil producers (Norway and the UK). To what extent do you think oil mattered for their choice? (15)

GOOD LUCK!!!