Definition: **Small economy**

A country is **small**, if its economic activities do not have any influence on the economic variables in the rest of the world.

(income, prices, interest rates, etc.)

What countries are small: US large, Denmark small ?

“Small economy” is a technical term of economic modelling.
Variables of foreign countries are exogeneous in the model.

The adequate question is:
For the question analysed, does it make sense to assume that a country does not have any influence on e.g. prices or income in the rest of the world?

Does it make sense to model the country as a price-taker?

Example: Ivory Coast is a small country if we analyse financial markets or growth in the rest of the world.

But it is certainly not a small country if we analyse the world market for cocoa.