

# Topics in Economics: Final Exam

24/03/2025 (2h)

Circle the only correct answer(s) to the following questions (2 points)

1. Increasing returns to scale lead to:
  - a. natural monopolies
  - b. faster productivity gains
  - c. a reduction in trade
2. There is more income inequality than consumption inequality because: (*find the wrong answer*)
  - a. agents use savings to smooth their consumption over time
  - b. consumption also depends on wealth and wealth inequality is lower than income inequality
  - c. there is intra-family consumption sharing

**After reading the supplied documents<sup>1</sup>, find the best answer(s) to the following questions**

3. What is the main purpose of the EU's proposed Carbon Border Adjustment Mechanism (CBAM)? (1 point)
  - a. To reduce the price of imports
  - b. To help EU firms relocate abroad
  - c. To charge foreign companies for their carbon emissions
  - d. To ban carbon-intensive products from the EU
4. What explains over 50% of the differences in countries' carbon emissions? (1 point)
  - a. Environmental taxes
  - b. Structural factors like geography and climate
  - c. The level of green policies
  - d. Population size alone
5. Global temperature changes? (1 point)
  - a. have little effect on large economies
  - b. are less damaging than local temperature changes
  - c. can cause major economic damage, justifying climate action
  - d. only affect developing countries

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<sup>1</sup>You should have received three documents untitled *The EU must stop carbon leakage at the border to become climate neutral*, *Sovereign emissions: Circumstances versus effort*, *Why unilateral decarbonisation can pay for itself*,

**What are some challenges the EU faces in making its climate policies fair and effective? Use the documents and respond in less than two pages. (15 points)**

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