

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 documents¹, 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

¹You 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)
