

Written Exam for the M.Sc. in Economics winter 2014-15

The Economics of the EU

Master's Course

15 DEC 2014

(3-hour closed book exam)

Please note that the language used in your exam paper must correspond to the language of the title for which you registered during exam registration. I.e. if you registered for the English title of the course, you must write your exam paper in English. Likewise, if you registered for the Danish title of the course or if you registered for the English title which was followed by “eksamen på dansk” in brackets, you must write your exam paper in Danish.

This exam question consists of 5 pages in total

All questions (1-3) enter with equal weighting in the evaluation.

Question 1

1.1 Describe the level of European Economic Integration in the area of labour market policies. Include in your description a comparison between the level of European Economic Integration in the area of labour market policies and a policy area where you find more European Economic Integration than in the labour market policy area. Use either qualitative or quantitative descriptive measures (or both) of the level of integration in your answer.

1.2 In the appendix, Figure 1, you find a graph from a recent European Commission report regarding labour cost and productivity in the euro area from 2007-2013. Analyze the development in the light of the development of the economy in the euro area in this period.

1.3 One of the major aims of the common market has been to create full mobility of labour. Analyze the economic consequences of migration on the wages, the employment and the welfare in a simple framework with a home and foreign country. First, in a scenario without migration, second, in a scenario with migration.

Question 2

2.1 Describe the expenditures of the European Union in the area of regional policies: the different aims of regional policy, the different objectives, instruments and guiding principles. You should

preferably refer to the readings, but you are also welcome to include information about objectives and programs from 2014-2020 as well in your answer using for instance Figure 2 in Appendix.

2.2. Analyze the possible effects on economic growth of a hypothetical increase of 50% in annual funding to the regional policy area using for instance a Solow diagram framework on growth.

2.3 Describe the risks and uncertainties related to achieving aims of increased growth from regional spending.

2.4 Compare the economic rationale behind the aim of achieving higher absolute welfare in all regions in the European Union and the aim of reducing the disparities among regions. How economically effective are these two aims compared to each other.

Question 3

3.1 Analyze whether or not the Euro area, the EU area or any smaller part of the Euro area is an optimum currency area measured on the ability to absorb asymmetric shock. You could preferably include Figure 3 in the Appendix in your analysis.

3.2 Analyse the different possibilities of endogeneity of monetary unions. Focus on whether or not these endogeneity mechanisms have been present in the development of the EMU until now.

3.3 Analyse whether or not an EU budgetary union could be the solution to avoiding as negative developments in the future of European Economic integration as those present under and after the financial crisis and debt crisis of the EU. Include in your analysis an assessment of the creation of such a budgetary union.

Figure 1 Appendix

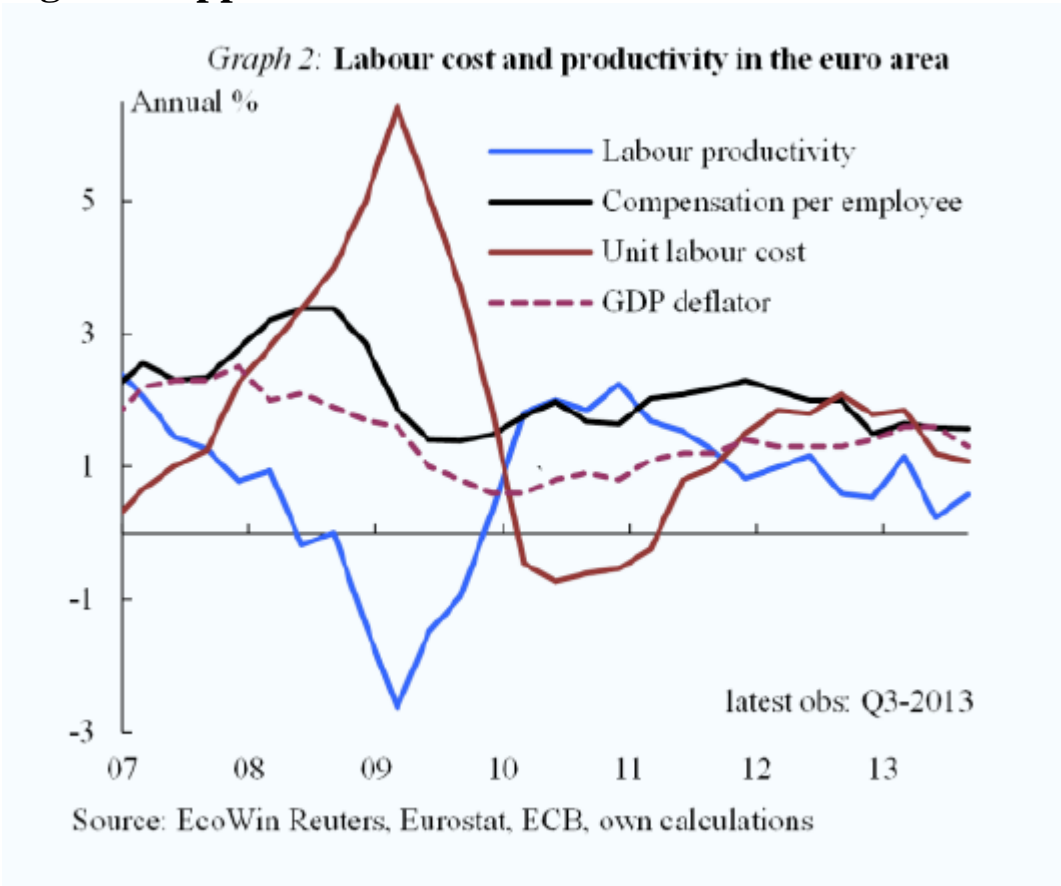


Figure 2 Appendix

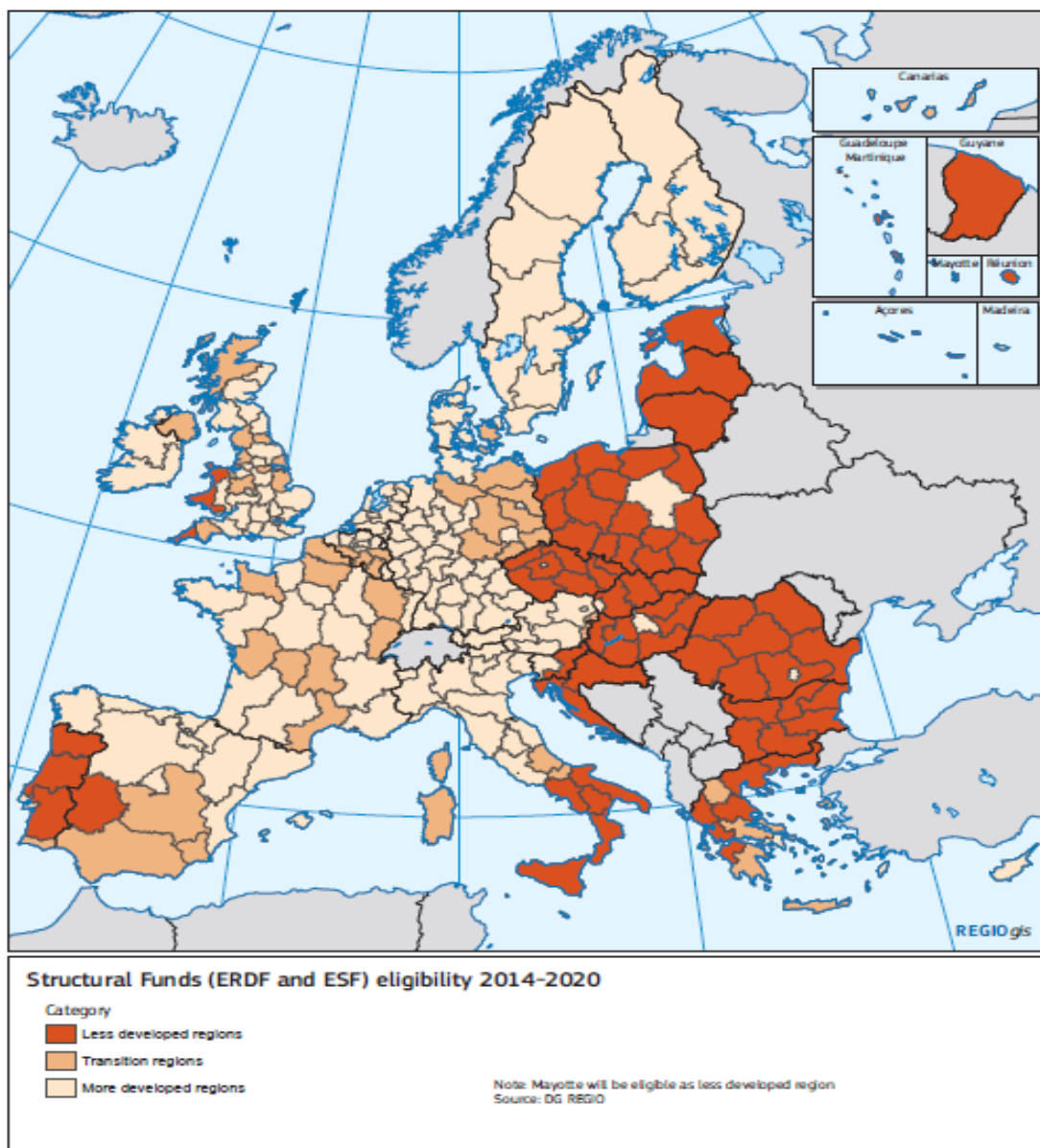


Figure 3 Appendix

