

Written Exam for the M.Sc. in Economics winter 2013-14

The Economics of the EU

Master's Course

16 December 2013

(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.

Each question enters the overall evaluation with an equal weighting. Subquestions under a specific question enter with an equal weighting under this question.

This exam paper consists of 4 pages in total

Question 1:

Describe the role of Economics in EU's institutional framework (see Figure 1). Include in your analysis the follow aspects:

- 1.1. How – and with the involvement of which institutions - is the yearly EU budget and the seven year financial perspective developed and decided?
- 1.2. Describe – broadly – the development over time of the revenue side of the yearly EU budget?
- 1.3. What are the main differences between EU's budget and Member States' national budgets?
- 1.4 An important part of EU's budget regards expenditures for the Common Agricultural Policy (CAP). Describe the economic rationale behind the change within this area from coupled to decoupled payments/support.
- 1.5 On the diagram in Figure 1, one important EU institution is missing, namely the European Central Bank (ECB). Explain the economic rationale for having an independent central bank in terms of being able to obtain economic (debt) sustainability.

- 1.6 Explain the economic consequences of the dilemma that monetary policies are fully integrated and institutionalized with the ECB in the EU, while economic policies generally are performed in a less institutionalized manner, though more and more coordinated.

Question 2

Analyse the economic importance of EU's external economic relations. Include in your analysis the following questions:

- 2.1 In Figure 2 in appendix, you may find a figure showing the supply switching effects of the formation of the EEC customs union. Describe the developments in the figure.
- 2.2. Develop – for instance using diagrams of price and quantity for Rest of the World (RoW), Partner, and Home - the theoretical background of the supply-switching effect.
- 2.3 In the light of the existence of the supply-switching effects, describe how these effects are sought to be minimized through trade agreements with third countries, such as Free Trade Agreements, preferential arrangements with former colonies, and preference agreements for poor countries.
- 2.4 Analyse the importance of EU's external economic relations (with a focus on trade) for the success (the optimality) of EU's Economic and Monetary Union (EMU) and vice versa, i.e. include also an analysis of the impact of EMU on EU's external economic relations.

Question 3.

Essay question.

When the ten newcomers (the CEEC countries) joined the EU in 2004, some Objective 1 regions became statistically rich. That is, the lowering of the EU average pushed their incomes above the 75 % threshold for Objective 1 status. Referring to the two theoretical frameworks in Baldwin and Wyplosz chapter 10 on comparative advantage and economic geography, do you think it is correct to remove their Objective 1 status, and why is that so?

Figure 1

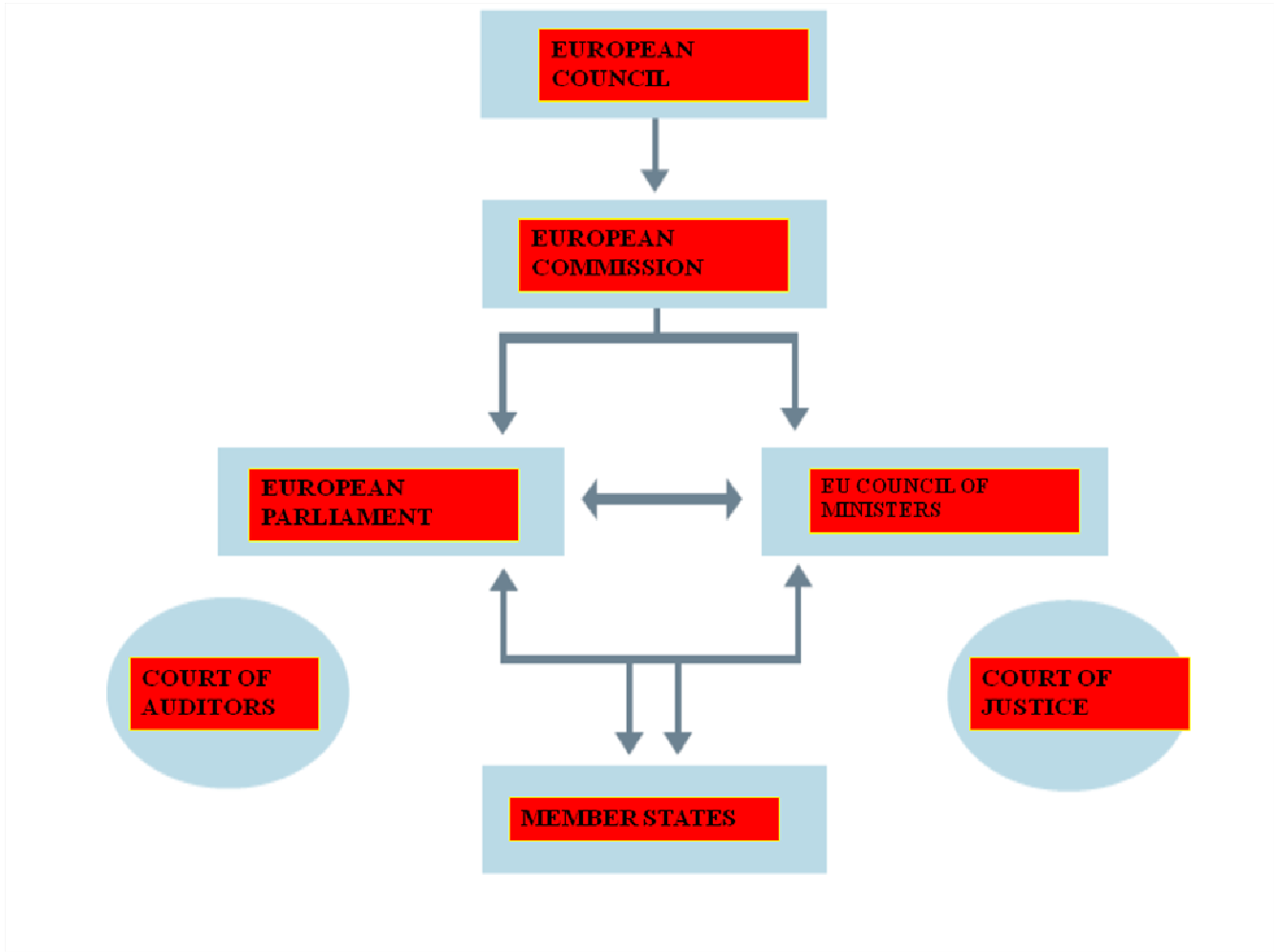


Figure 2.

