

## Midterm

This is a 90 min exam. There are three equally weighted questions. Please read them carefully and answer each of them in either English, German, or French. If you have problems understanding a question please ask. *Good luck, viel Glück, bonne chance, y mucha suerte !!!*

**Question 1:** Institutional Aspects of the European Union.

- a) Briefly describe the European Commission, the Council, and the Parliament: where is each institution located, how is it made up, what is its role, and how has it evolved over time.
- b) List the 25 member countries of the EU and for each indicate its year of accession (accuracy of plus/minus a year is fine).
- c) Which arguments can be advanced in favor of and against centralizing certain policies in Brussels? Based on your arguments, provide one example each of a policy that should be decided in Brussels and another one that should not be.

**Question 2:** Factor Mobility.

- a) Explain the "Neary bucket" and use it to establish that allowing factor mobility increases over-all economic efficiency.
- b) Using the same diagram, graphically analyze the welfare effects of allowing factor mobility on the different groups in each country and on the migrants.
- c) Explain how factor mobility affects taxation. Which factor, the mobile or immobile, will have to pay the tax and why?

**Question 3:** Regional Economic Integration.

- a) List four forms of regional economic integration and state their defining features.
- b) Explain the concepts of trade creation and trade diversion and depict them in a (sufficiently labelled and well explained) diagram.
- c) Suppose technology exhibits increasing returns to scale. What would be the effect on the extent of trade diversion?