

Midterm

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

Question 1: European Institutions.

- a) Which European institutions could be regarded as the legislature, the executive, and the judiciary of the European Union. Briefly describe each institution, its setup and location.
- b) Focus on the “executive” branch. How do its powers differ from those of a typical national government? What other institution has considerable executive power in the EU?
- c) Pretend to be a Euro-federalist OR a Euro-skeptic (your choice) and write a brief proposal how you would reform the EU executive branch in view of the recent enlargement of the EU.

Question 2: Regional Economic Integration.

- a) Explain the difference between a free trade area, a customs union, and at least one other form of regional economic integration.
- b) What are “rules of origin”, which form of regional economic integration requires them, and why?
- c) Explain the concepts of trade creation and trade diversion and depict them in a (sufficiently labelled and well explained) diagram.

Question 3: Factor Mobility.

- a) Using the Neary-bucket, show that factor mobility increases economic efficiency.
- b) How would your diagram and argument be affected if migration were costly (assume a uniform, fixed moving cost).
- c) Explain how factor mobility affects taxation. Which factor, the mobile or immobile, will pay the tax and why?