CHRISTIAN-ALBRECHTS-UNIVERSITÄT ZU KIEL
DIPLOM-PRÜFUNGSAMT
der Wirtschafts- und Sozialwissenschaftlichen Fakultät
Institut für Volkswirtschaftslehre
Lehrstuhl für Mikroökonomik

studienbegleitende Klausur zur Vorlesung (final exam)

''Economics of European Integration''

Examination July 15, 2005

Last Name:	First Name:
Date of Birth:	Place of Birth:
Student ID:	Home Institution (Sokrates-/KiSS only):
Email address:	

Course of Studies, Program of Study:	please tick
	☐ Betriebswirtschaftslehre, ☐ Volkswirtschaftslehre, ☐ Diplom-Handelslehrer/in, ☐ Sozialökonomie
	☐ Studienkolleg für Studierende der Mathematisch-Naturwissenschaftlichen und der Technischen Fakultät ☐ W 24; ☐ P 62
	☐ SOKRATES-Programm oder andere Austauschprogramme
	☐ Kieler Summer School (KISS)
	☐ Informatik, Mathematik
	☐ Ph.D. program "Quantitative Economics"
	☐ Sonstiges

Signature: _____

Notes:

Duration: 60 minutes
Maximum Total Score: 75 points

- The exam text consists of 2 pages, including this front page. Please verify carefully if your exam sheets are complete.
- Please write in full your name and student ID on each page.
- For your answers you may use only the provided paper sheets.

Instructions: You may use a standard calculator (non-programmable).

Good Luck!

Results: (for the examiner only)

Question	1	2	3	4	5	Total
Points						

Score:_____

Kiel,   _____

                                                              (Gerald Willmann, Ph.D.)

Question 1: Monetary Union (15 pts).

a) List (at least) three advantages and (at least) three disadvantages of forming a montary union.
b) Explain the Balassa-Samuelson effect: Why will inflation be higher in less advanced countries?
c) Consider the possibility of a member country defaulting on its debt: What is the ideal reaction of the ECB ex ante versus ex post? Please explain!

Question 2: Common Agricultural Policy (15 pts).

a) Graphically explain the workings of a price guarantee for an agricultural good that is imported. What will be the welfare effects for the different groups involved?
b) Repeat a) for an agricultural product that is exported.
c) Graphically show how the domestic price guarantee from a) translates into changes of supply or demand in the world market. What will be the effect on the world market price of the product?

Question 3: EU Budget (15 pts).

a) List and rank (according to size) the main positions on the revenue as well as on the expenditure side of the EU budget. By the way, what percentage of the EU GDP does the budget account for?
b) Briefly discuss the pros and cons of centralizing policies in Brussels.
c) Comment on the use of the net contribution as a measure of how beneficial the EU is for each member country.

Question 4: Competition Policy (15 pts).

a) What is the object of competition policy, why has the EU taken on this policy area, and who in the commission is in charge of competition policy?
b) Which aspects of a merger does the competition authority typically investigate?
c) Explain in detail why the EU has a central competition authority whereas there is no such central authority on the global stage.

Question 5: Factor Mobility (15 pts).

a) Mathematically derive factor demand curves and explain the Neary-bucket diagram.
b) Use such a diagram to analyze the welfare effects (on the different groups involved) of moving from a situation without capital mobility to a regime of unrestricted capital mobility.
c) Suppose structural funds are used to subsidize capital in one region, paid for by taxing capital in the other region. Analyze the welfare effects of such a policy in the Neary-bucket diagram.