

## 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, bonne chance, goed geluk !!!*

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

- a) Briefly describe the European Commission, the Council of the EU, and the European Parliament: where is each institution located, how is it made up, and what is its role.
- b) Explain whether representation in the institutions listed above is proportional, less than, or more than proportional to the member countries' populations.
- c) List arguments 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:** Regional Economic Integration.

- a) List common features and differences of free trade areas and customs unions.
- b) Explain the concepts of trade creation and trade diversion and depict them in a (sufficiently labelled and well explained) diagram.
- c) Use the large-country-case analysis of a tariff to explain why the formation of a preferential trading arrangement can have negative effects on the outside world.

**Question 3:** Factor Mobility.

- a) Explain the "Neary bucket" diagram and use it to graphically analyze the welfare effects of allowing labor mobility on the different groups in each country and on the migrants.
- b) Use the same diagram to establish that allowing factor mobility increases overall economic efficiency.
- c) Discuss how the result from b) will change if there are (fixed) costs of migration.