

Final Exam

This is a 3 hour exam. There are five equally weighted questions. Please read them carefully and answer each of them. If you have problems understanding a question please do ask. *Good luck and goed geluk !!!*

Question 1: Institutional Aspects.

- a) List all member countries of today's European Union, and for each country give the year of its accession.
- b) List criteria that determine at what level — central or decentral — economic policy decisions should be taken.
- c) Using your criteria from part b), give one example each for a policy that should be decided by the center and by the local level respectively.

Question 2: Regional Economic Integration.

- a) List and define (at least) two types of regional economic integration.
- b) Discuss the problems inherent in each of the types you listed under a).
- c) Explain the concept of trade creation and trade diversion using a (sufficiently labelled and well explained) diagram.

Question 3: Competition Policy.

- a) What is the objective 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 4: Common Agricultural Policy.

- a) What are the aims and instruments of the EU's Common Agricultural Policy?
- b) Graphically explain the effect of a price guarantee for an agricultural product that is (also) imported. Why is the EU considering moving to direct subsidy payments?
- c) What are the long-term effects of the price guarantees that have been in place for decades?

Question 5: Monetary Union.

- a) Explain the "Impossible Trinity", that is, label the corners of the triangle, and briefly explain what is possible and what is impossible.
- b) List advantages and disadvantages of a flexible versus fixed exchange rate regime, and comment on whether either are predominantly Micro or Macro.
- c) Using the criteria for an optimal currency area, discuss whether Euroland (i.e. the European monetary union) constitutes such an area.