

An Introduction to the Economic System of the EU (The Economics of EU Integration)

There are four components used for the course evaluation. Students are graded on class participation, including attendance, homework assignments; on-line quizzes and final exam. Registration in Moodle via <http://lms.ius.bg.ac.rs> is required.

Grading Structure:

- Final exam 70%;
- Online quiz (2 X 20 multiple choice questions) 10%;
- Homework assignments 10%;
- Class participation including attendance 10%.

In the final exam, there will be: 1) 10 multiple choice questions (20 points); 2) 7 short questions (35 points), which must be answered, and 3) longer questions, of which you must answer two of four (45 points). The total marks available will be 100 points.

Students will be required to write two written homework assignments and submit two multiple choice quizzes.

Homework assignments are due by December 31st (first) and January 15th (second). Online quizzes will be available from December 1st to December 31st unless otherwise indicated.

All late assignments will not be accepted!!!

This is the sample exam

Please write in full your name and student ID.

Name:

Student ID

Economics of European Integration:

Duration: 120 minutes

Maximum Score: 100 points

The exam text consists of 4 pages, please verify if your exam sheets are complete.

For your answers you may use only the provided paper sheets.

SECTION A Multiple choice - Note that there may be only one correct choice (20 points):

- 1) The two biggest items in the EU budget are:
 - a) administration and research.
 - b) foreign policy and development assistance.
 - c) CAP and cohesion spending.
 - d) foreign policy and cohesion spending.
- 2) The border price effect shows how much the nation would gain or lose from an import price change assuming there is no change in:
 - a) the volume of imports.
 - b) the terms of trade.
 - c) the level of the tariff.
 - d) domestic consumption.
- 3) The main objective of Objective 2 spending is to:
 - a) strengthen the attractiveness and competitiveness of regions.
 - b) promote cross-border cooperation across European countries.
 - c) promote urban development of remote areas.
 - d) reduce income differences across EU regions.
- 4) One of the main effects of the MacSharry reforms was:
 - a) to increase the EU's production of food.
 - b) to make the CAP less costly to the EU budget.
 - c) to reduce the 'food mountains' that the EU had accumulated.
 - d) to make CAP payments to large and small farmers fairer .
- 5) The power to policy anticompetitive practices was granted to the European Commission in:
 - a) The Treaty of Rome
 - b) The Single European Act
 - c) The Maastricht Treaty
 - d) The Constitutional Treaty
- 6) The Commission imposes anti-dumping duties on the goods of nations that it accuses of:
 - a) selling high-quality products at a price that is less than those charged by EU producers of the same goods

- b) selling low-quality products at too high a price
 - c) selling goods to the EU that do not meet the high product standards of the US market.
 - d) selling goods at a price that is below the cost of production, or below the price in the home nation.
- 7) The ERM's parity grid was
- a) a flexible Exchange Rate arrangement between all EMS countries, with the Deutschmark as the anchor currency.
 - b) a basket of currencies of all EMS countries.
 - c) a matrix like table collecting all pair wise central parities and their associated margins of fluctuation.
 - d) a totally symmetric exchange rate arrangement where all ERM currencies were fixed to each other with a flexible band of fluctuation of plus or minus 20%.
- 8) Which of the following propositions is true?
- a) Symmetric shocks are not a problem in a currency area.
 - b) The borders of an optimal currency area must coincide with political borders.
 - c) Adjustments to asymmetric shocks are made easier by the adoption of a common currency.
 - d) All of the above are true
- 9) The Stability and Growth Pact considers that deficits are excessive when they are above ____ percent of GDP. In order to leave room for the automatic stabilizers to play their role, the pact also stipulates that participants in the monetary union which commit themselves to a medium-term budgetary stance are ____.
- a) 10, in balance
 - b) 5, in surplus
 - c) 1, in balance
 - d) 3, balanced or in surplus
- 10) The procedure for a country to leave the Eurozone has been established by
- a) the Maastricht Treaty
 - b) the Amsterdam Treaty
 - c) the Lisbon Treaty
 - d) None of the above. There is no legal procedure for a country to leave.



SECTION B (35 points):

Question 1: EU Budget

What are the two main areas on which the EU budget is spent:

Question 2: Integration

Trade barriers can be classified into three categories:

Question 3: Common Agriculture Policy

Briefly describe two pillars of today's CAP

Question 4: Competition Policy

What Article 101 of the Treaty on the Functioning of the EU forbids?

Question 5: Trade Policy

What is hub-and-spoke bilateralism?

Question 6: Monetary Union

What is the difference between the EMS and the ERM?

Question 7: Eurozone

What is the EFSF?

SECTION C (45 points): Note You must answer two out of four questions

Question 1: **Why did the ERM succeed while the Snake failed?**

Question 2: **What are the five convergence criteria and what is the logic behind each of them?**

Question 3: **Explain the concept of trade creation and trade diversion (if possible using a diagram).**

Question 4: **EU regional policy was reformed in the context of 'Agenda 2000'. What were the major reform themes and how successfully were they implemented?**

