

European Economic Integration: Mock Exam

Your name and surname:

ISIC ID:

- You have 80 minutes and you can get up to 60 points. (Hint: Use the point allocations as an indication of how much time to spend on each question)
- Write your responses in English.
- Where relevant, you may include graphs or diagrams.
- This is a closed book exam and hence you may not access any materials that are not provided to you on the day of the exam. You may not communicate with other people except teaching assistants during the exam.

Good luck!

Part I (30 points)

1.)

Consider two monetary unions, the United States and the Eurozone. Explain what each of the following facts indicates about their optimality, using the OCA theory. You may use graphs as appropriate to illustrate your points. (18 points in total)

- a. Labour mobility is more than ten times higher in the US than in the Eurozone. (6 points)
- b. The EU budget is about 1.1% of EU GDP, while the US federal government spending stands at 20% of GDP. (6 points)
- c. The product mix in the production of Eurozone countries is more diversified than the product mix of US States (i.e. US States tend to be more specialised). (6 points)

2.) Corporation tax rate was reduced in many EU countries over the last two decades. This could be viewed as an example of an (unhealthy) race to the bottom or (healthy) tax competition. Explain both interpretations. (12 points in total)

- a. Race to the bottom (4 points)

- b. Tax competition (4 points)

- c. Explain also what each of these two interpretations implies about the desirability of an EU-wide harmonisation of the corporation tax rate. (4 points)

Part II (30 points)

Choose ONE of the following questions and discuss.

- 1.) "EU enlargement into the Western Balkans would benefit these countries but not the EU." Discuss. (30 points)

- 2.) Are Eurozone acceptance criteria fit for purpose? (30 points)