

This is the sample exam for EC4333, Economics of European Integration, given under the exam guidelines of the University of Limerick. In the final exam, there will be ten short questions, which **must** be answered, and 4 longer questions, of which you must answer **three of four**. The total marks available will be 125. This sample exam shows 5 short questions and 2 sample longer questions. Please note I reserve the right to change the content of the questions at my discretion.

Section A. Please answer all questions below.

1. (5 points) Briefly describe five necessary conditions or criteria for the existence of an optimal currency area.
2. (5 points) Define what you understand by a tariff, and give an example.
3. (5 points) Describe the organisation and functioning of the European Commission. What are the main criticisms levelled against the commission?
4. (5 points) Give examples of 2 dilemmas posed by flexibility or differentiated integration.
5. (5 points) There are several economic costs associated with the imposition of a large scale and long term price support like the Common Agricultural Policy. What are they?

Section B. Please answer three out of four questions in this section.

1. (25 points) Assume the following parameters for an economy producing and consuming only corn. Home demand is given by $P = 1000 - 5Q$. Home supply is given by $P = 5Q$.
 - (a) (5 points) Solve for the market equilibrium and carefully graph the result by plotting at least 10 points for each equation.
 - (b) (5 points) Work out consumer and producer surplus from the graph, or algebraically.
 - (c) (10 points) Now assume there is a world price p_w of 130, and a price floor of 200 imposed by a free trade area the country belongs to. Using your graph or by any other means, work out the numerical values of the areas of A, B, C_1 and C_2 shown in the figure below.
 - (d) (5 points) Give an economic interpretation of these four areas.
2. (25 points) This question deals with welfare effects arising from EU policies and programmes.
 - (a) (10 points) Using graphical analysis and explaining your work, describe a model to illustrate how the integration of production factor markets leads to a better allocation of capital and labour.
 - (b) (10 points) Illustrate, with the aid of a diagram, the welfare effects of the integration of capital factor markets for workers and capital-owners. Does total welfare increase?
 - (c) (5 points) Illustrate, with the aid of a diagram, the welfare effects on the rest of the world on the imposition of a price support through tariff assignment. Are there any such programmes in effect in the EU? If there are, what are the secondary effects of such a price support programme.

