

European Integration

You have to answer **three out of four** questions. The **first question is mandatory**. If you answer four questions, the first three will be graded.

“Today, the European Commission has put forward its proposal for a major recovery plan. To ensure the recovery is sustainable, even, inclusive and fair for all Member States, the European Commission is proposing to create a new recovery instrument, Next Generation EU, embedded within a powerful, modern and revamped long-term EU budget.”

(...)

“Our common budget is at the heart of Europe's recovery plan. The additional firepower of Next Generation EU and the reinforced multiannual financial framework will give us the power of solidarity to support Member States and the economy. Together, Europe will arise more competitive, resilient and sovereign.”

Johannes Hahn, Commissioner for EU Budget, 27 May 2020

Mandatory Question:

1. Given the corona crisis, should fiscal policy in the European Union be centralized? Elaborate on the pros and cons of a monetary union with centralized budgets vs. decentralized budgets.

(15 points)

Choose 2 out of 3:

2. Discuss with the help of a two-country-model graphically and verbally the welfare effects of labour market integration. Discuss the settings with constant and growing productivity. What can be the reason for a shift from positive to zero productivity gains?

(15 points)

3. Discuss the evolution of the European integration process by addressing the two differing views about economic and political integration (institutional and functional integration). Elaborate on political (de)centralization and institutional competition.

(15 points)

4. Discuss the welfare effects of a discriminatory unilateral trade liberalisation in a three-country-model graphically and verbally. Include ‘Viner’s Ambiguity’ into your welfare analysis.

(15 points)

Good luck!