

University of Wuppertal  
Department of Management and Economics  
Master's Degree in Economics (MSc Econ)  
Special Focus: Internationalization and Economic Policy

Module: Economic Integration (Prof. Welfens)  
Date of Exam: 12.02.2008  
Duration: 90 minutes  
Allowed utilities: Students are permitted to bring those printed collections of international law, which contain at least the Charter of the United Nations as well as the Statute of the International Court of Justice. Instead of printed collections students may bring downloaded computer-printouts.

**You can choose three out of the four blocs.**

**The questions of each bloc therefore should be answered within 30 minutes.**

### **I. Economic Dynamics and Integration in Asia**

Here again you choose two out of four questions:

#### Question 1

East Asia's economic growth and the speed of the region's structural adjustment has been quite impressive over the last decades compared to other regions. Their success is often explained by the crucial role of the "development state". Please discuss

- 1) the characteristic features of a "development state"
- 2) which state in East Asia has played a model role for catching-up to other countries in the region?
- 3) To what extent does globalization restricts the power of "development states"?

#### Question 2

During the Asian financial crisis (1997-98) economic growth in many Asian countries declined and structural changes of banks and enterprises became necessary. Please discuss the development of relevant indicators that demonstrative to what extent the countries affected by the Asian financial crisis have recovered (no exact statistics need to be mentioned)

- 1) at least two indicators relating to the overall economic development and
- 2) at least one indicator relating to the recovery of banks.
- 3) Which countries in Asia have contributed most to the total economic growth of the region during the last years?

#### Question 3

Production networks have contributed to a unique pattern of trade and industrial development in East Asia. Please discuss

- 1) the specific characteristics of production networks in East Asia
- 2) assess the role of production networks in China's emergence as the largest trading nation in Asia.

#### Question 4

For the support of East Asian regionalism the ASEAN+3 initiative has been established to play an important role. Please discuss

- 1) what countries are included in the ASEAN+3 -process?
- 2) to what extent can the ASEAN+3 initiative support the process of East Asian regionalism?

## **II. Simulation Models for Policy Analysis**

All questions have to be answered:

- 1a) Describe the essential elements of a small macroeconomic model for a closed economy. Characterise especially the supply side, the demand side and the monetary policy rule.
- 1b) What is the "Taylor principle"? Describe what happens in the case of a demand shock if the Taylor principle does not hold.
  
- 2a) Characterise the optimal monetary feedback rule in a closed economy.
- 2b) How does the rule differ in the case of discretionary policy compared to the commitment solution?

## **III. International Public Law**

Instructions:

Students are permitted to bring those printed collections of international law, which contain at least the Charter of the United Nations as well as the Statute of the International Court of Justice. Instead of printed collections students may bring downloaded computer-printouts.

Please answer all the following questions:

1. Explain the legal basis, the content, the meaning and the importance of the principle of the Non-Use of Force in International Relations. Name the acknowledged exceptions to this principle.
2. Name and explain in short the three most important (formal) sources of Public International Law; in this context: outline the meaning of Jus cogens.
3. Illustrate the key principle of consent as a precondition for and in context with the Jurisdiction of the ICJ.

## **IV. Monetary Integration**

All questions have to be answered:

1. The Theory of Optimum Currency Areas (OCAs) proposes criteria which tell us about the potential costs of sharing a currency. Explain briefly each of the three economic criteria (labour mobility, product diversification, openness).
2. Is a Eurozone of twenty-seven countries an optimal currency area? Could the OCA-criteria could be self fulfilling, and if so why?
3. In the EMU, the single monetary policy is assigned to an independent central bank, whose primary objective is maintaining price stability and without prejudice to this, support the policies in the Community. Fiscal policies are competence of Member States. Budgetary autonomy is, in formal terms, absolute but subject to rules of budgetary discipline. What is the role of these fiscal rules? Are they necessary?