

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: 08.02.2012
Duration: 90 minutes
Allowed utilities: none

All questions have to be answered, therefore each bloc should be answered within 30 minutes.

Simulation Models for Policy Analysis

1. In traditional macroeconomic analysis an expansionary fiscal policy will raise output in a system of fixed exchange rates: Given the debt crisis in several Euro countries the question arises to which extent expansionary fiscal policy is still working. Explain the problems faced in this context by Eurozone countries. (10 P.)
2. The New Keynesian Macroeconomics (NKM) emphasizes specific frictions in the market economy. Explain key elements of the NKM and discuss the role of these frictions for achieving macroeconomic equilibrium; which economic policy is adequate for overcoming a recession – given the fact that interest rates are very low. (20 P.)

Monetary Integration

1. Explain the key approaches of the Optimum Currency Area literature and explain why a country like Greece is only partially fitting in the set of the criteria discussed. (20 P.)
2. Membership in the Euro Area required to fulfill the so called Convergence Criteria. Discuss these criteria with respect to a rational choice of member countries in a stability-oriented Monetary Union. (10 P.)

Economic Dynamics and Integration in Eastern Europe and Asia

(In this bloc you have to answer only two questions)

1. The Asian countries have shown considerable economic dynamics and it is widely expected that high growth in Asia will continue. What will be the main effects on trade and Foreign Direct Investment for the EU? (15 P.)
2. What are the impacts of the financial crisis on the development of financial markets in Asia? (15 P.)
3. Describe challenges for Monetary Integration in Eastern Europe OR Asia. (15 P.)
4. Explain reactions to the economic crisis in Eastern Europe. (15 P.)
5. Explain results of the East-West integration in Europe since the 1990s. (15 P.)