

## European Economy Seminar

1st Call Exam

8th June 2012

**Please take note that:**

- The exam is split in two parts: in the first one (I), there are two mandatory questions, and in the second part (II) you should choose one more from the two alternatives being presented. Questions from the first and second groups worth 6.5 and 7 points, respectively.
- Total time for the exam is 2 hours.
- Answers should be clear.
- Each question should have a maximum of one written page.
- Please answer each question in a different page, and do not forget to identify all your pages.

### I

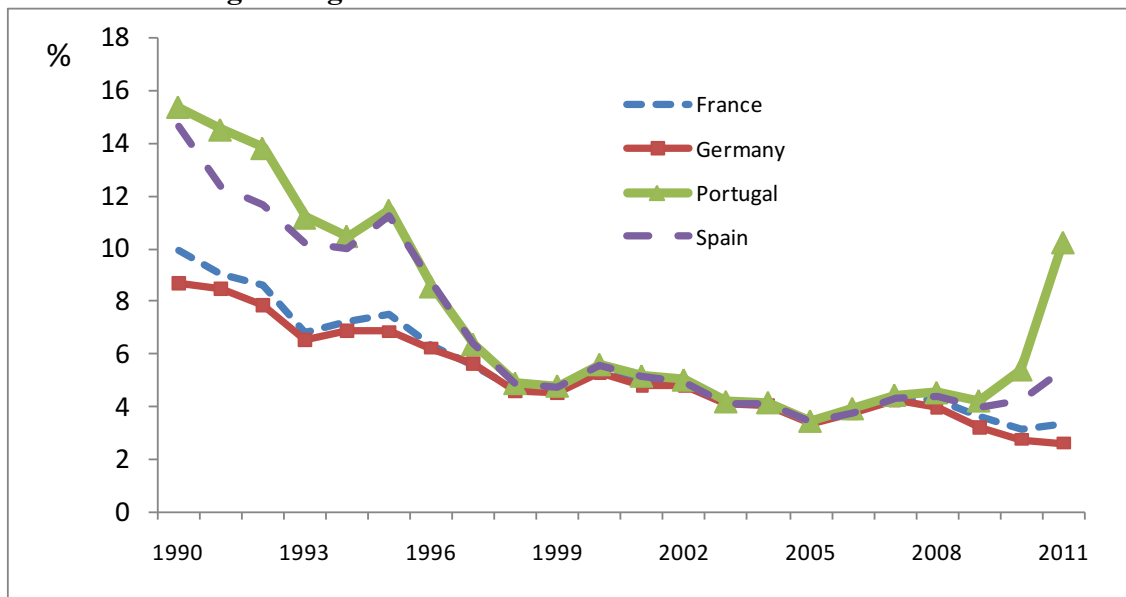
- 1) Even before the creation of the Economic and Monetary Union, mechanisms to ensure fiscal stability have been defined and enshrined in the Maastricht Treaty.
  - a) Briefly refer what were the main rules established.
  - b) Why were they not sufficient to ensure fiscal stability? Was this due to the existence of gaps in the rules defined or to their non-observance? Please explain.
  - c) Please discuss the feasibility of some measures that have been proposed for a greater coordination of fiscal policy in the monetary union, taking into consideration the traditional debate between federalist and intergovernmental perspectives.

- 2) The existence of a single currency and of a common monetary policy, as in a monetary union, may imply costs and benefits to the participating countries.
  - a) Please explain what is the main goal of the ECB and what is the strategy followed in the implementation of monetary policy.
  - b) What are the limitations of a common monetary policy?
  - c) Can these limitations be resolved with a greater coordination of fiscal policies? Please explain.

## II

- 1) The following chart shows the evolution of Portuguese government bonds interest rates and those of some other EU countries.

**Medium and long-term government bond interest rates**



Source: FMI (IFS)

- a) Please comment on the evolution of Portuguese interest rates and explain the main determinant factors.
- b) What measures could have been taken to avoid the deterioration of the financing conditions of the Portuguese economy that led to the request of external assistance?

c) Compare the measures considered in the current program of financial assistance with those of the IMF financial stability programs of 1977 and 1983, taking into consideration the regime and structural changes that have since then occurred in the Portuguese economy.

2) *“The dislocation of part of the productive process by multinationals in advanced countries toward emerging market economies allows the reduction of their production costs”.*

a) What type of trade and capital flows result from the situation described above?

b) Please comment the above mentioned sentence, analysing the risks and benefits for the various countries involved.

c) What rules would be needed, at an international level, to harmonize competitiveness conditions among different countries?

## European Economy Seminar

Exam resit

1st July 2011

### **Please take note that:**

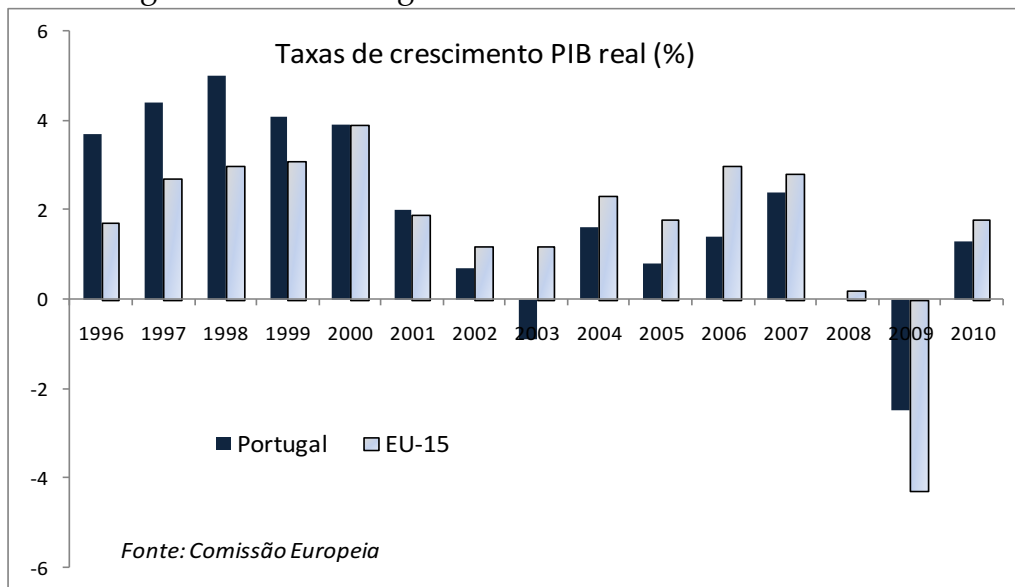
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### I

1) The legislative process of the EU has evolved over the last 50 years.

- a) Explain briefly the co-decision process in the EU.
- b) Refer the Treaties in which the legislative role of the European Parliament was re-enforced. Explain the nature and the motivations behind these changes.
- c) What are the main implications of the Treaty of Lisbon in the decision process in the EU? Do you consider that the changes introduced have contributed to the greater efficiency of the decision process?

- 2) In the following chart it is possible to identify periods of greater convergence of the Portuguese real GDP to EU levels.



- What could have explained the initial period of greater growth of the Portuguese economy?
- What factors have contributed to the reversal of the convergence process?
- How could economic policies have avoided or minimized the worse performance of the most recent years?

## II

- In a monetary union, the definition of a set of rules aimed at assuring fiscal discipline is crucial in order to avoid negative repercussions on all euro area countries.
  - What are the most likely consequences of a euro-zone member country registering inflation levels persistently higher than those of other euro-zone members?
  - Do you consider that the Stability and Growth Pact limits the functioning of automatic stabilisers? Explain how.
  - What are the challenges associated with the Stability and Growth Pact and in what extent has the 2005 reform resolved them?
- Globalization is defined by a growing process of worldwide economic integration, which can be observed at the level of trade and that of productive factors markets.

- a) Characterize the recent evolution of trade and capital flows. What were the main determinants of that evolution?
- b) What are the potential gains of globalization?
- c) What factors can contribute to inhibit the materialization of these gains?

## European Economy Seminar

### Final exam

29th January 2012

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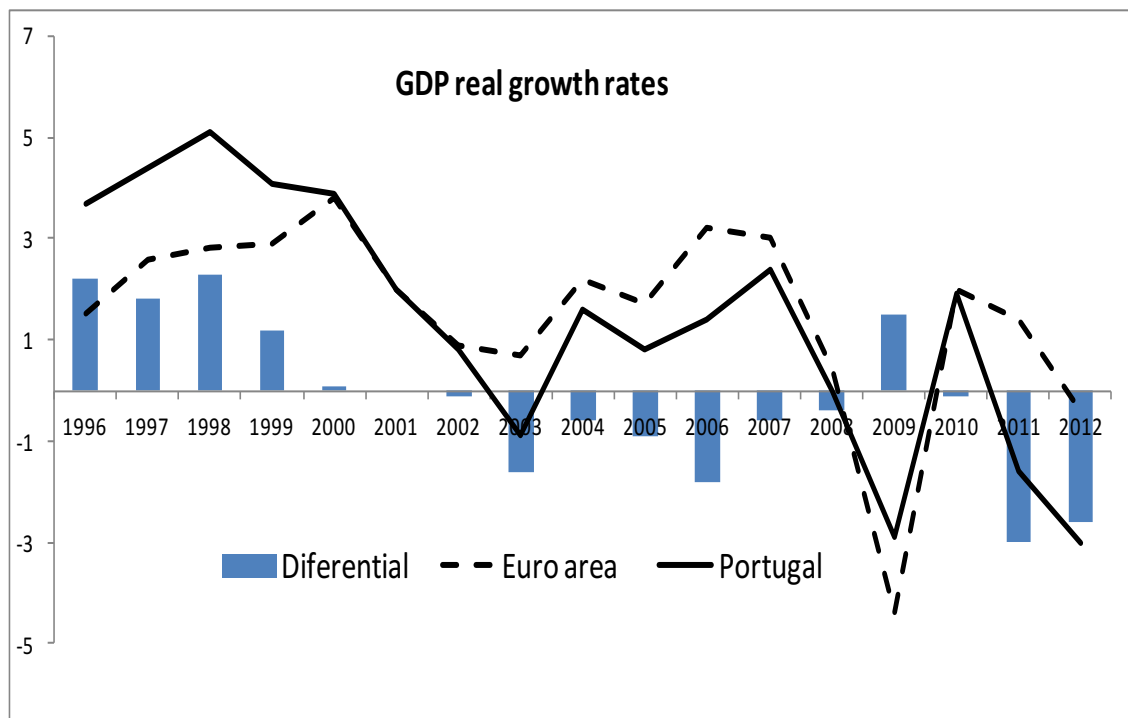
#### I

- 1) The greater economic integration and the various enlargements of the European Union have implied changes in its governance, namely with respect to the delimitation of powers and the decision-making process.
  - a) What are the main changes, and their motivation, introduced respectively by the Treaty of Maastricht and by the Treaty of Lisbon?
  - b) How can better governance contribute to reinforce the coordination of economic policies in the EU?
  - c) Identify the reforms under way concerning the governance of the EU and discuss their suitability.

- 2) The sovereign debt crisis in the euro area has evidenced problems in the functioning of the EU attributed to the existence of unsustainable imbalances in some countries.
  - a) What was the nature of these imbalances and what problems have they caused to the functioning of the EU?
  - b) How was the efficiency of monetary policy affected?
  - c) Which policies or reforms could contribute to minimize the difficulties related to the implementation of the single monetary policy?

## II

- 1) The following chart illustrates the evolution of economic growth in Portugal and in the euro area countries.



*Data source: Eurostat*

- a) What factors explained the convergence in real terms of the Portuguese economy in the initial period displayed?
- b) Why was this economic growth not sustained?
- c) Which policies or reforms could be implemented to restore economic growth?



- 2) One of the drawbacks of globalization is the fact that it facilitates the spreading of financial crises worldwide.
- a) Refer the recent main trends of globalization and their role in the transmission of shocks.
  - b) What can explain the relative resilience of emerging markets, especially in Asia, to the effects of the crisis?
  - c) What reforms could contribute to minimize the occurrence of financial crises?

## European Economy Seminar

1st Call Exam

10th January 2012

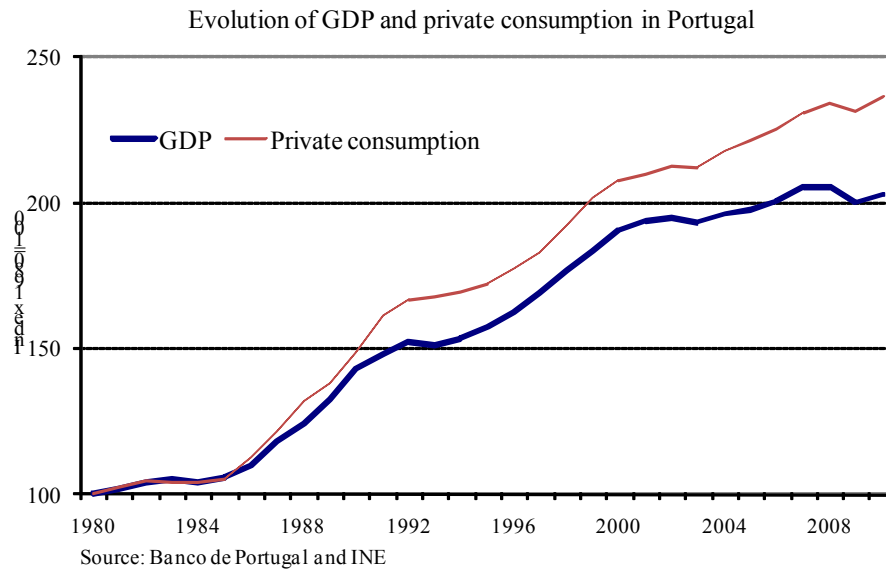
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### **I**

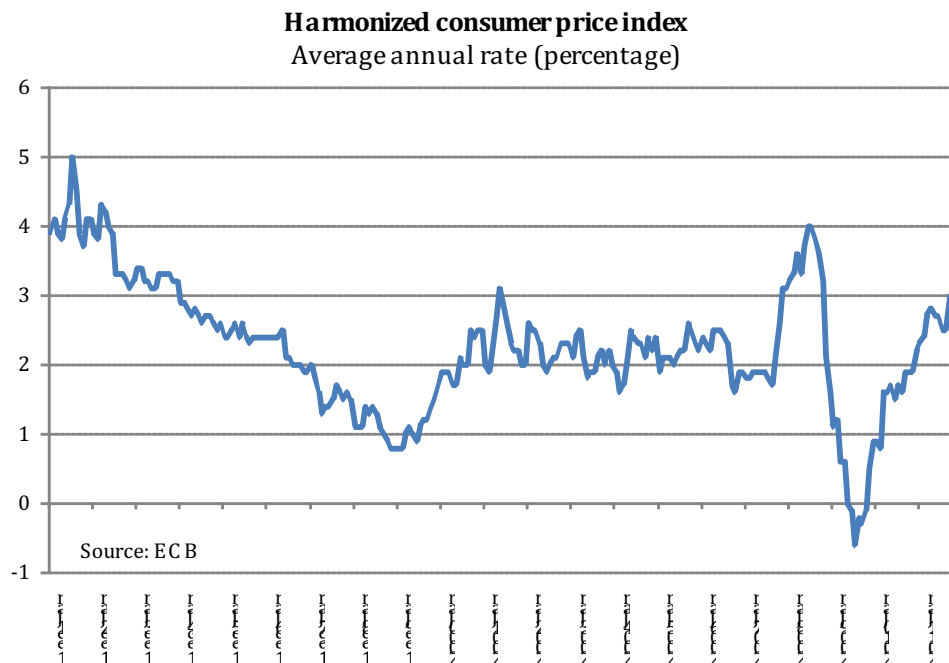
- 3) The European Union experienced several crises since its beginning, which were many times solved by deepening the integration process.
  - a) Please succinctly refer the moments of crisis and progress in the European integration process.
  - b) Do you consider the progress recorded in the European integration after the beginning of the nineties was wrongly conducted or incomplete? Justify.
  - c) Do you consider that the decision process in the European Union makes it harder to recognize and assume long term common goals instead of short-run national priorities? Justify.

- 4) Observe carefully the following graph with the evolution of GDP and private consumption in accumulated terms in Portugal between 1980 and 2010.



- a) Characterize the evolution of the share of private consumption on GDP and explain its consequences in terms of the macroeconomic equilibriums.
- b) How do you justify the evolution recorded in private consumption after the beginning of the nineties?
- c) Explain how could the national authorities have counteracted the growth of private consumption and their effects on macroeconomic equilibriums? How do you foresee the change in the share of private consumption on GDP?

- 1) The graph below presents the evolution of the harmonized consumer price index in the euro area from 1991 to 2011.



- d) What is the central objective of monetary policy in the euro area? Has this objective been attained?
- e) In a monetary union, how can there be a tension between monetary and fiscal policy? In such a context, how do classify the current situation?
- f) How do you expect the euro area to evolve? Justify.
- 3) The international fragmentation of the production chain transformed into the dominant paradigm and profoundly affects the effects of economic policies.
- a) What do we mean by international fragmentation of the productive chain, also designated by vertical specialization?
- b) What drove this process?
- c) Explain how did this reality change the competitiveness conditions in the EU and say which policies would you advocate in this economic context? Justify.

European Economy Seminar  
2nd Call Exam  
27th January 2012

**Please take note that:**

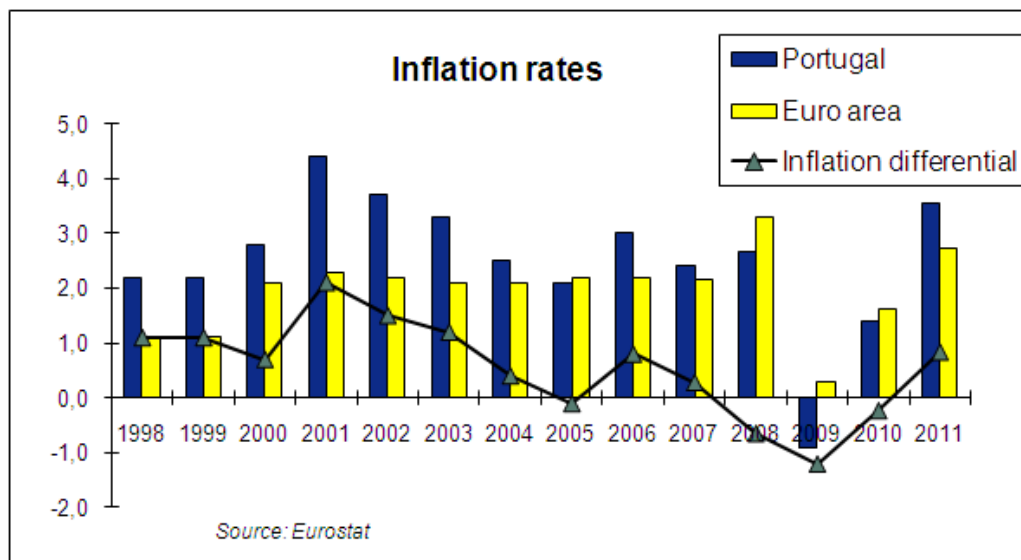
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I

- 3) Even though the European integration process was implemented through economic mechanisms, this process was frequently motivated by political factors.
  - d) Refer moments in which the political context was particularly relevant for the European integration process and explain why.
  - e) How were the different federalist and intergovernmental views reconciled in this integration process?
  - f) Give examples in which the existence of a federalist component in the organization structure of the EU allowed the reinforcement of the integration process.
- 4) Monetary policy of the ECB is based on the principles of 'independence' and 'transparency'.
  - a) Why are these principles relevant to the achievement of the main goal of monetary policy?
  - b) How can the current fiscal imbalances of some EU countries undermine the implementation of monetary policy?
  - c) How could these imbalances compromise the principle of 'independence' of the central bank?

## II

- 1) The Portuguese economy has, over the recent years, experienced periods of inflation higher than that of the euro area average.



- a) Describe the evolution of inflation differentials and explain its implications in the context of a monetary union.
  - b) Which factors contributed to the higher inflation rate in Portugal?
  - c) Explain how could the national authorities have contributed to reduce the rate of inflation or to minimize its effects.
- 2) Globalization is characterized by the growth of trade and by greater mobility of capital and labour at an international scale.
    - a) Please comment on the possible effects of globalization on the evolution of relative prices of goods and production factors.
    - b) Given trade and capital account liberalization, what factors could explain the existence of differentials in the remuneration of productive factors?
    - c) Given current wage differences between European countries and emerging markets, what could be done to improve EU competitiveness?

European Economy Seminar  
Final Exam  
6th January 2014

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**I**

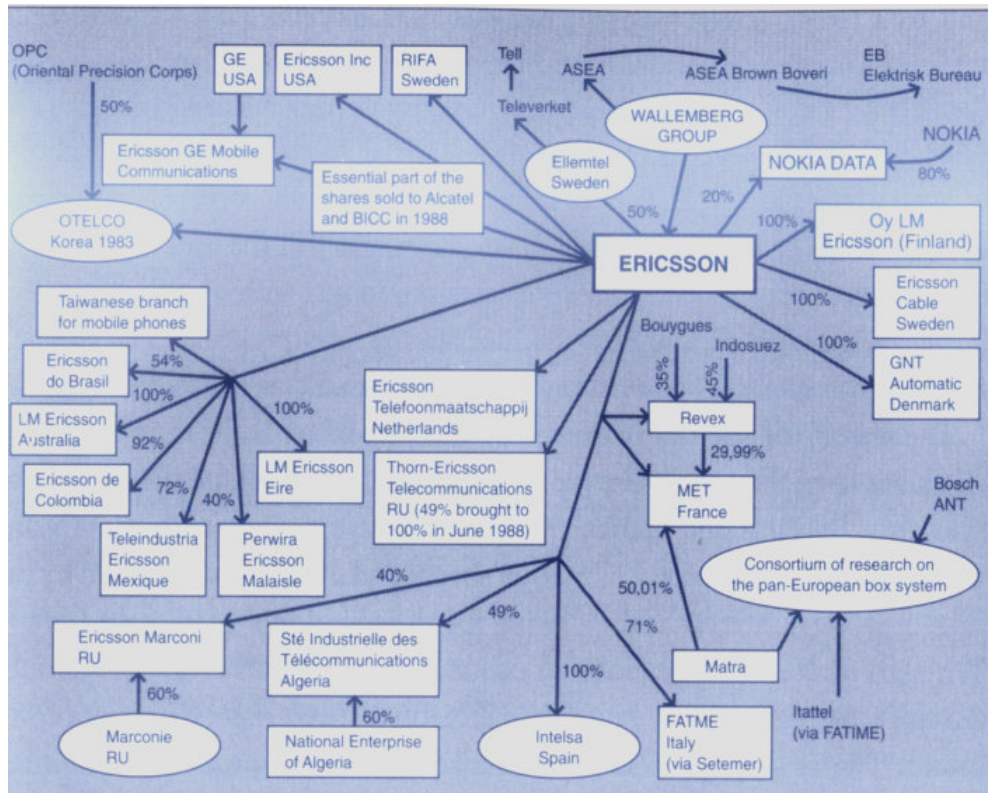
1) Free trade has always been at the core of the success of the European integration process. European integration has also evolved in other dimensions.

a) Refer which type of trade agreement was established in the initial stage of the European integration and compare it with other types of trade agreements.

b) On which other dimensions evolved the European integration process and what are the foreseeable changes in the near future?

c) Explain the nature of the recent crisis in the European Union, linking the dimensions that you consider relevant.

- 4) Multinational corporations are important elements in the global economy, thus affecting the European reality. The figure below exemplifies the complexity of connections in these firms.



- Explain the role of multinational corporations in globalization and say how they have shaped such phenomenon.
- What are the other engines of globalization? Explain.
- State the challenges that globalization puts on the European economy and how should they be faced. Explain.

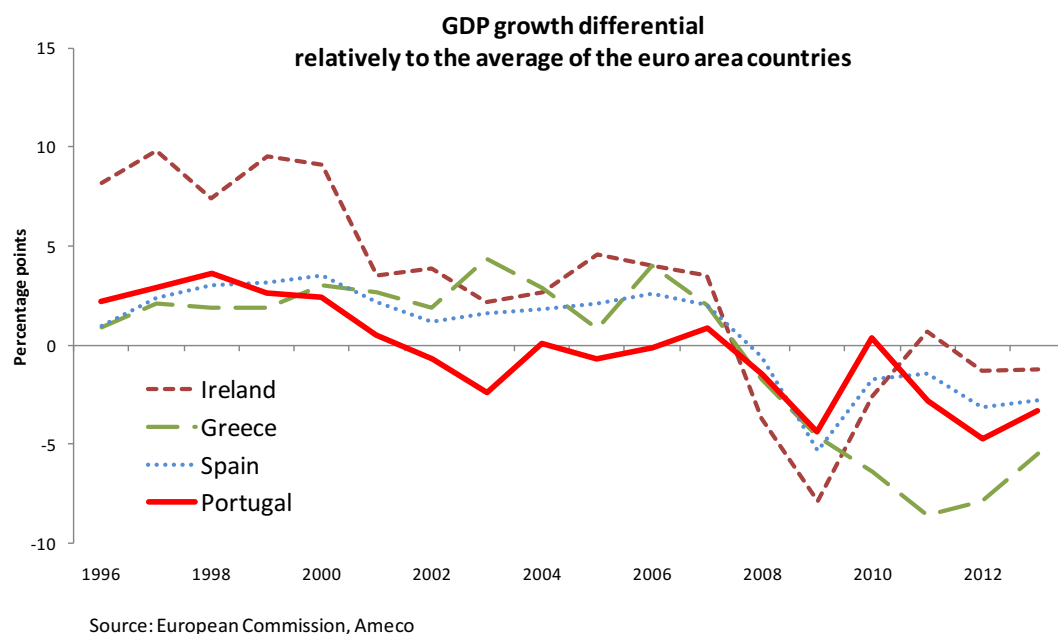
## II

- Structural policies are important to promote macroeconomic balances in the European Union as a whole and in Member States in particular.



- a) Explain how structural reforms can contribute to solve some of the EU problems, namely the internal current account imbalances.
- b) Can the EU launch a centralized program of structural reforms? According to the EU legislative procedure and decision process, how can this program be promoted?
- c) In your view, in which areas is the implementation of reforms more urgent? Explain.

2) The following graph illustrates GDP growth differentials **relatively to the average** of the euro area, for a group of member countries.



- a) Why have the countries presented above recorded growth rates higher than the euro area average during the nineties and the beginning of the following decade?
- b) What explains the lower growth of the Portuguese economy since the beginning of the 2000 decade?
- c) Could different euro area accession criteria and fiscal rules have promoted a more stable GDP path? Explain.

17th January 2017

- Students are asked to answer three questions, out of the four available, and they all have a similar grade.
- Total time for the exam is 2 hours.
- Answers should be contained in the space given.
- Students should reflect before start writing in order to provide straight to the point answers.
- Keep this pack of pages together

Number: \_\_\_\_\_

1) A strong protectionist rhetoric has recently erupted in several EU member countries and abroad, putting in question free trade.

c) Comparing with EU countries, China was a latecomer to the world trade system but caught up fast. What are its' strong points and challenges?



a) Briefly explain what drives a current account imbalance and later a financing crisis.

c) What should EU policy-makers do to avoid the repetition of the latest crisis?



3) Monetary policy, financial markets and banks are closely interlinked and also interact with real economic activity.

a) What is presently the stance of the monetary policy in the euro area and how does it impact on European banks and financial markets?

b) What are the challenges that ECB and EU governments need to overcome in these dimensions?

c) How do you assess the role of the initiated Banking Union?

- 4) The diplomatic and political relations between European countries, and also with foreign powers, have always strongly shaped the progress of the EU integration project.







28th January 2017

- Students are asked to answer three questions, out of the four available, and they all have a similar grade.
- Total time for the exam is 2 hours.
- Answers should be contained in the space given.
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- Keep this pack of pages together

Number: \_\_\_\_\_

1) Over the recent years the surveillance and monitoring of EU Member-states' economic situation by European institutions has been significantly enhanced.

b) What are the main institutions involved in these exercises and their respective roles?

c) Do you think they will be effective in containing Member-states imbalances and reducing their vulnerabilities?



2) "One of the main lessons of the Global Crisis is that to preserve full financial integration and financial stability the Eurozone needs to build elements of a common fiscal policy". Obstfeld, 2013

a) Why is it difficult to have a common monetary policy and financial integration, without any mechanism allowing fiscal transfers for countries with temporary financing problems?

b) Which reforms or ‘elements of a common fiscal policy’ have been introduced since the recent crisis in order to correct that flaw?

c) How effective are these reforms likely to be?



3) The international financial situation has been characterized by a prolonged period of very low interest rates.

a) What are the main driving factors behind this low interest rate environment?

b) What are its main challenges for the implementation of monetary policy by the ECB?

c) How can this environment affect financial stability in the euro area?



4) Portugal was one of the EU Member-countries that requested assistance under the EU/IMF Financial Assistance Program, in the aftermath of the sovereign debt crisis.

a) Why was Portugal one of the EU countries more severely hit by the sovereign debt crisis?

b) Which policies or reforms could have prevented this outcome?

c) How successful was the EU/IMF Financial Assistance Program in restoring economic stability?





