

UNIVERSITY OF WARWICK

Summer Examinations 2015/16

**Macroeconomic Policy in the EU**

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Time Allowed: 1.5 hours

Answer BOTH questions from section A **(40 marks)** and ONE question from section B **(60 marks)**. Answer Section A questions in one booklet and Section B questions in a separate booklet.

Read carefully the instructions on the answer book provided and make sure that the particulars required are entered on each answer book. If you answer more questions than are required and do not indicate which answers should be ignored, we will mark the requisite number of answers in the order in which they appear in the answer book(s): answers beyond that number will not be considered.

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**Section A: Answer BOTH Questions**

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1. It is often asserted that exchange rate uncertainty is bad for exporting firms. Provide a discussion and sketch conditions under which exchange rate uncertainty could indeed be welfare enhancing. **(20 marks)**

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2. The Eurozone is arguably not an Optimum Currency Area (OCA). Discuss conditions under which a currency union might or might not become an OCA endogenously, and how a country's entry might become self-fulfilling in this respect. What does the empirical evidence suggest? **(20 marks)**

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(Continued overleaf)

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**Section B: Answer ONE Question**

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3. Provide a balanced discussion of the principal economic arguments in favour of and against Britain leaving the European Union. **(60 marks)**

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4. Assume the UK had decided to leave the EU. Provide a balanced discussion of the economic benefits and pitfalls of Scotland leaving the UK in this case. **(60 marks)**

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5. It is often said that the financial sector of the Eurozone is insufficiently robust against future financial crises. Provide an overview and a discussion. **(60 marks)**
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