

CET Syllabus of Record



Program: CET Siena

Course Title: Economics of the European Union

Course Code: ECON4410

Total Hours: 45

Recommended Credits: 3

Suggested Cross Listings: Economics

Language of Instruction: English

Prerequisites/Requirements: Intermediate Macroeconomics

Description

This course provides insights on the history, theory, and empirics of the economics of the EU by focusing on both the microeconomics and the macroeconomics of the European integration. The aim of the course is to offer a wide perspective on the main economic issues concerning the European economy. In this regard, we will examine the evolution and the characteristics of the role of the EU and the EU monetary union that comes from a long period of economic coordination in a globalized context.

Based on the underlying economic theory, we will discuss “hot and controversial issues” like EU-US Transatlantic Trade and Investment Partnership (TTIP), the role played by the EU and the main international institutions in the recent financial turmoil, the current Eurozone debt crisis, as well as the ECB responses to the crisis and the possible policies to counteract it. Indeed, the financial crisis that hit the global economy since the summer of 2008 is without precedent in post-war economic history. Although its size and extent are exceptional, the crisis has many features in common with similar financial-stress driven recession episodes in the past. However, this time there is something different with respect that the Great Depression of the 1930s. This crisis spread quickly and rapidly moved from the US to European countries that show the weakest economic indicators (especially EU-Med Economies).

This course will focus on the long run causes, consequences and EU responses to the crisis, conditionally on the characteristics of the countries involved. We will also deal with the long process of European Integration and discuss whether further integration (especially fiscal but also in the labor market) may represent a possible solution to the recent crisis.

Objectives

By the end of the course, students will at least be able to

- understand the economic and political forces underlying the process of integration in historical perspective as well as the challenges lying ahead for the Union
- understand the economics of trade liberalization and evaluate the potential benefits/drawbacks of the Transatlantic Trade and Investment Partnership between US and EU

CET Syllabus of Record

- analyze the functioning of the European Labour markets and the related challenge of economic integration
- understand the rationale of the European Monetary Union (EMU) and its effects on the European macroeconomic performance
- understand key economic concepts such as Optimal Currency Areas and making relevant connections between theory and real world examples, through references to media material, readings or case studies
- find an increased interest to reading economic related materials in the media (Economist, FY, Vox EU etc).
- understand the changing EU role in the changing world.

Course Requirements

Lectures are combined with in class group work and case studies.

Students are expected to actively participate in class meetings and to complete all the readings assigned for each class. Students are also expected to demonstrate critical thinking skills through effective analysis, synthesis, and evaluation.

Methods of Evaluation

- Participation: 20%
- Assignments: 20%
- Oral presentation of 10-minute length (using Power Point or Beamer): 15%
- Final Exam: 45%

Grading scale:

A+:	98-100%	C+:	77-79%
A:	93-97%	C:	73-76%
A-:	90-92%	C-:	70-72%
B+:	87-89%	D+:	67-69%
B:	83-86%	D:	63-66%
B-:	80-82%	D-:	60-62%
		F:	59% and below

Textbook

R.E. Baldwin and C. Wyplosz, *The Economics of European Integration*, 5th Edition, McGraw-Hill (2015) (Henceforth BW)

Outline of Course Content

Note: Fall/Spring students cover approximately 1 topic every 2 weeks. During the summer, when class periods are longer, students cover approximately 1 topic per week.

TOPIC 1 - History: Evolution of the legal and institutional framework

From the Post-War period to the present: We will analyze the evolution of Europe after WWII into the first communities and the issues related to the enlargement after the fall of the Berlin Wall (BW

CET Syllabus of Record

Ch.1).

Stylized Facts, Institutions and Decision making: In this lecture we examine some key stylized facts regarding European Economies and link the EU's legal system and principles with an economic framework for thinking about EU institutions.

TOPIC 2 - Review of some essential economic tools

Essential Micro Tools: Open Economy Supply and Demand Analysis, MFN Tariff Analysis, Types of Protection (Ch. 4 BW).

Open Economy Macro: Closed vs Open Economy, Monetary Neutrality, The Choice of an Exchange Rate Regime, The real Exchange Rate and the PPP Principle (Ch. 13 BW).

TOPIC 3 - Microeconomics of European Integration

The Economics of Preferential Liberalization, Market Size and the Scale Effect: We examine the analysis of liberalization with special attention to customs union versus free trade agreements, WTO rules as well as the effects of discriminatory liberalization in a small vs big country case. In addition, we'll illustrate the consequences of scale economies and imperfect competition on EU firms (Ch. 5 and 6 BW).

EU Labour Market and Migration: This lecture outlines the basics of Labour Economics with particular reference to the effects of trade integration and migration across countries in the EU context (Ch. 8 BW).

TOPIC 4 - EU Micro Policies

The Common Agricultural Policy: We examine the Common Agricultural Policy (CAP) and its economic implications with the help of some case studies.

EU competition and State Aid Policy: We analyze the logic behind public subsidies and link it to the current EU competition policy (Ch. 11 BW).

Trade Policy: We'll address the EU trade policy by first presenting the main stylized facts regarding EU trade; this section finally outlines the EU's policies towards its various trade partners (Ch. 12 BW).

Open Discussion Amongst Students: Potential Costs and Benefits of the TTIP agreement: In light of the underlying theory the students will discuss the potential pros and cons of the TTIP agreement between the EU and US (Goldstein article).

TOPIC 5 - Macroeconomics of the Monetary Integration

Monetary Integration and the concept of Optimal Currency Area: This section outlines how Europe evolved in managing exchange rate since the fall of the Bretton Woods agreements as well as the decision of adopting a common currency in relationship to Mundell's optimum currency area theory.

CET Syllabus of Record

Problems and challenges ahead (BW Ch. 14, first part and Ch. 15).

TOPIC 6 - EU Monetary and Fiscal Policies

The EMS and the European Monetary Union: We will examine early arrangements and the exchange rate mechanism until 1992-93 and then the convergence process to the Euro system following the Maastricht Treaty with an ex-post evaluation of the EMS (Second part of Ch. 14 and Ch. 16 BW).

Fiscal policy and the Stability Pact: We will analyze the effects of fiscal spending on the imbalances within the Euro area and the workings of the Stability and Growth Pact as well as the novelty of the Banking Union. We'll also discuss about the issue of (lack of) coordination of fiscal policies among EU members (Ch. 17 BW).

The Financial Market and the Euro: This section explores the mechanisms behind capital market integration, the role of financial institutions and the issue of the Eurozone debt crises (Ch. 18 BW)
Group Presentation: The heterogeneous effects of crises across EU members: Each group will choose a EU country and describe the roots and the evolution of the crisis for that country. We then we'll discuss the main policy implications of each country economic structure for the EU (Ch. 19 BW).