

European Economic Integration

Econ 461 – Spring 2013

TTh 11AM, Gardner 308

GOAL: To acquaint students with the fundamental economic and institutional features of European economic and monetary integration and related policies, including the EU customs union, barriers to integration, the single European market, the common currency, enlargement of the EU. Particular attention is paid to the effects of the international financial and economic crisis, and the attempts at reforming the economic and monetary system.

SCHEDULE:

1. First Day of Class: Thursday, January 10.
2. Spring Break Begins Friday, March 8, 5PM-Resumes, Monday, March 18
3. Last Day of Class: Thursday, April 25.
4. Final Exam: Saturday, May 4, 12PM *Please note: the Final Exam will very likely be changed to an earlier date.

OFFICE: Gardner Hall 305B

OFFICE HOURS: TTh 9:30 - 10:30AM

PREREQUISITES:

Economics 101 or permission of instructor

LEVEL OF INSTRUCTION:

Students are expected to have a working knowledge of macroeconomic and microeconomic theory. The subject matter is macro- and micro-theoretical, institutional and historical. Graphical methods occasionally may be employed. Calculus isn't essential.

REQUIREMENTS:

1. **Midterm exam (essay)** is optional. It counts for 33% of the course grade. It consists of a 10-12 page paper, due April 9 (33%) Topic to be approved by Feb 14.

2. **The final exam (essay)** is obligatory. It counts 67% of the course grade if the midterm is taken and 100% otherwise.

3. **Attendance:** Is compulsory and a record is kept. Students who miss more than 20 percent of the class days sampled without written permission will be penalized a half letter grade for the course. Those missing more than 30 percent will be penalized a full letter grade. Those missing more than 40 percent will **FAIL**.

4. **Tardiness:** Students who arrive after attendance is taken are responsible for notifying me at the end of the class. If they neglect to do so, tardiness is treated as an absence.

REQUIRED READING:

- Richard Baldwin and Charles Wyplosz, *The Economics of European Integration*, 4th Ed., 2012 (B&W)
- Bruno Dallago and Chiara Guglielmetti, 'The EU Crisis Seen from the Bottom: The Perspective of Vulnerable Economies on Eurozone Troubles', in Bruno Dallago and Chiara Guglielmetti (eds.), *Vulnerability and Resilience. The Consequences of the International Crisis on European SMEs*, Abingdon, Oxfordshire: Routledge, 2012, pp. 33-62 (D&G)
- Paul De Grauwe, 'The Governance of a Fragile Eurozone', CEPS Working Documents, May. Online. Available HTTP: <ceps.eu/book/governance-fragile-eurozone>, 2011 (De Grauwe_1)
- Paul De Grauwe, 'The Eurozone's Double-Dip Recession is entirely self-made', *Social Europe Journal*, 28 November 2012. Available at http://www.social-europe.eu/2012/11/the-eurozones-double-dip-recession-is-entirely-self-made/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+social-europe%2FwmyH+%28Social+Europe+Journal%29 (De Grauwe_2)
- European Commission, *A Blueprint for a Deep and Genuine EMU*, Brussels, 28 November 2012. Available at http://ec.europa.eu/commission_2010-2014/president/news/archives/2012/11/pdf/blueprint_en.pdf (EC 2012)
- Jean Pisani-Ferry, 'The Euro Crisis and the new Impossible Trinity', *Bruegel Policy Contribution*, Issue 2012/01, January 2012. Available at <http://www.bruegel.org/download/parent/674-the-euro-crisis-and-the-new-impossible-trinity/file/1540-the-euro-crisis-and-the-new-impossible-trinity/> (Pisani-Ferry)
- Hans-Bernd Schäfer, 'The Sovereign Debt Crisis in Europe, save Banks not States', *The European Journal of Comparative Economics*, Vol. 9, n. 2, 2012, pp. 179-195. Available at <http://eaces.liuc.it/18242979201202/182429792012090201.pdf> (Schäfer)

Please notice that additional readings may be added depending on the latest developments in the EMU reform.

Supplementary (optional) readings:

- Stijn Claessens, Ashoka Mody, and Shahin Vallée, 'Paths to Eurobonds', *IMF Working Paper* 12/172, July 2012. Available at <http://www.imf.org/external/pubs/ft/wp/2012/wp12172.pdf>
- Paul De Grauwe, *Economics of Monetary Union*, Oxford: Oxford University Press, 9th ed., 2012

- Desmon Dinan, *Ever Closer Union: An Introduction to European Integration*, Boulder, Co.: Lynne Rienner Publishers, 4th edition, 2012
- European Council, *Towards a Genuine Economic and Monetary Union. Interim Report*, Brussels, 12 October 2012. Available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/132809.pdf
- Sondermann D. (2012), 'Productivity in the Euro Area. Any Evidence of Convergence?', *Working Paper Series* 1431/2012, European Central Bank, April. Available at <http://www.ecb.int/pub/pdf/scpwps/ecbwp1431.pdf>
- Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, Brussels: European Union, 2012. Available at http://european-council.europa.eu/media/639235/st00tscg26_en12.pdf

Periodicals:

The Economist, Financial Times, Economic Policy, Der Spiegel Weblinks

I. History and Institutions

1. History - B&W, Ch. 1
2. Facts, Law, Institutions and the Budget - B&W, Ch. 2
3. Decision Making -B&W, Ch. 3

II. The Microeconomics of European Integration: Markets and trade

4. International Trade and Trade Policy - B&W, Ch. 4
5. The Economics of Preferential Liberalization - B&W, Ch. 5
6. Market Size and Scale Economies - B&W, Ch. 6
7. Growth Effects and Factor Market Integration - B&W, Ch. 7

III. EU Policies

8. The Common Agricultural Policy - B&W, Ch. 8
9. Location Effects, Economic Geography and Regional Policy - B&W, Ch. 9

IV. The Macroeconomics of European Integration

10. European Monetary History - B&W, Ch. 10
11. Choice of Exchange Rate Regime – B&W, Ch. 11
12. The European Monetary System - B&W, Ch. 12
13. Optimum Currency Areas - B&W, Ch. 13
14. The European Monetary Union - B&W, Ch. 14
15. Fiscal Policy and the Stability Pact - B&W, Ch. 15
16. The Financial Markets and the *euro* – B&W, Ch. 16
17. Economic integration and the common market – B&W, Ch. 17

V. The international crisis, the EU and the Euro

18. The real origin of the crisis – D&G, De Grauwe_2
19. The unsustainable institutional architecture - De Grauwe_1, Pisani-Ferry, Schäfer

VI. Reforming the EMU

20. The reform of the EMU – EC 2012

RULES: Exams

All exams are in essay format. You must comprehend and interpret the question properly, and be correct in the interpretation and the facts and data you use.

Use blue books. Do not sign your exams with your name. Pledge the honor code with your student ID#. Use a pen and write legibly. Illegible exams must be typed. Students who cannot write legibly for any reason may take exams at the learning center, but are responsible for making the necessary arrangements well in advance.

GRADING:

Grades depend primarily on your grasp of the question, analytic prowess, insightfulness and thoroughness of answers, not rote. An accurate fact profile is expected including strategic citations from appropriate sources. If facts are misstated or misconstrued, these errors will be penalized. Exams are read anonymously applying the standards set forth above.

Course grades depend solely on exams. No other factor is considered. No credit is given for class participation (but excessive absences are penalized). Students are not permitted to retake exams unless they have valid written medical excuses or other equivalent authoritative justification.

GRADING SCALE:

A grade of C is assigned to exams that demonstrate a basic knowledge and understanding of the course material, allowance made for various minor errors of fact, and comprehension. A grade of B is assigned to exams that demonstrate a good knowledge and understanding of the course material allowance made for various minor errors of fact, and comprehension. A grade of A is assigned to exams that demonstrate a superior and complete knowledge and understanding of the course material, allowance made for various minor errors of fact, and comprehension. A grade of D is assigned to exams that fail to display a basic knowledge and understanding of the course material, allowance made for various minor errors of fact, and comprehension. A grade of F is assigned to exams that fail to display the minimal knowledge and understanding of the course material required for a grade of D, allowance made for various minor errors of fact, and comprehension.

REPORTING:

Course grades are electronically distributed to students soon after they are submitted. Please email me for an appointment only if you wish to know your final exam score after receiving your course grade or if wish to see your exam. The rules stipulated above concerning your grasp of questions, analytic prowess, insightfulness and the thoroughness will govern appraisals.