

European Economy (SS2021) (6 KP)

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Office Hours: By appointment. Email: imartin@gwdg.de.

Classes: Due to special circumstances created by the Coronavirus pandemic **the course will start with virtual classes on the 12.04.2021. In order to be invited to the virtual meeting participants have to be enrolled on: studip.uni-goettingen.de.** The slides for each topic will be weekly uploaded on StudIP and participants are expected to prepare for the exam using the slides and the references (books and articles) indicated for each topic. Every week there will be one session to cover the material on the slides (Monday 14:15 to 15:45), including Q&A.

Introduction

The aim of this course is to cover some economic aspects of the European integration process, focusing on the European Union internally and on its relations with partners, including prospective members. Customs union theory, microeconomic policies and regional economics will be covered. Students will be expected to understand the basic economics of integration, as well as knowing how to track down up-to-date policy materials on the web. A key starting point is the official site: <http://www.europa.eu.int>.

The key learning objectives are:

- Students should understand the extent of economic integration in the EU and the basics of EU law and its basic institutional structure and economic facts about European nations. Students should also learn the broad outline of the EU budget on the receipts and expenditure side and the basic content and the structure and problems with the Constitutional Treaty and the subsequent Treaty of reform.
- Acquire knowledge of the standard open-economic supply and demand diagrams and how they can be used to analyze the positive and normative impact of tariffs. Students should also learn about the various types of trade barriers that can constrain trade.
- Learn to apply open-economy supply and demand analysis to a three country setting with the aim of illustrating the main positive and normative effects of preferential liberalization on aspects of European integration. Students should also learn about the differences between customs unions and free trade areas and about WTO disciplines and about the nature of empirical studies into the effects of EU market integration.
- Learn the economics behind the notion that integrating European markets can improve economic efficiency by giving European firms better access to a wider market. As part of this, students learn about market interactions in the presence of imperfect competition and increasing returns.
- Learn the economic logic that explains how integrating European markets can increase income growth rates in the medium term and in the long term and the specific features of Europe's labour markets and key labour economics principles. Students should also learn about the sources of unemployment and the microeconomics of labour market integration and the conflict between efficiency and social imperatives, as well as understand the impact of economic integration and migration on labour markets.
- Learn about Europe's environmental policy, which started in 1973, following the 1972 UN conference in Environment, addressing the concerns about the "limits of growth".

- Learn about the very uneven distribution of economic activity in Europe and about the economics that helps account for this result as well as using the suitable framework for understanding how deeper integration affects the distribution. Also learn about EU regional policy, essentially designed to prevent geographic concentration or to ameliorate its effects on people living in rural areas.
- Acquire Knowledge of the basic facts of the EU's trade pattern both in terms of partners and commodity composition and become familiar with the basic institutions of EU trade policy making and acquire a basic understanding of the EU's external trade policy.

Course Organization and Evaluation

The course is organized as a series of lectures and student presentations of selected topics. Students are expected to prepare a short essay (10 pages) that has to be presented and discussed towards the end of the course. A list of topics will be available online (StudIP). An application (with name, semester, degree program, and top three essay topics selected) has to be sent to imartin@gwdg.de until the April 30th.

The assignment of topics will be announced by May 4th. A one-page-proposal for the topic is due on May 11th and the essays are due on June 8th. We will ask you to upload these documents on StudIP. Presentations will be scheduled in due time. The electronic versions of the essays will be made available to all other students for reading along with the assignment of discussants (via StudIP).

Evaluation: (Essay+presentation) 30%. Exam: (a number of short, to-the-point questions and one or more long open questions) 70%.

Exam 12/07/21 from 14:00-16:00. Location: *To be determined, if the circumstances allow it. Otherwise, new arrangements will be announced during the classes and on StudIP.*

Program

Introduction

1. The European Integration Process in the World Economy

- 1.1 History
- 1.2 Facts, Institutions and Laws
- 1.3 The Budget

(Chapters 1 and 2 B&W)

Microeconomics of European Integration

2. Economic Effects of Forming a Customs Union I: Static Effects

- 2.1 Microeconomic Tools
- 2.2 Static Effects: Trade Creation and Trade Diversion
- 2.3 WTO Rules
- 2.4 Evaluation of the Static Effects

(Chapters 4 and 5 B&W, Acharya et al. (2011), Gnutzmann and Mkrtchyan (2016))

3. Economic Effects of Forming a Customs Union II: Market size and Scale Effects

- 3.1 Dynamic Effects
- 3.2 Market Structure and Scale Effects

3.3 Evaluation of the Dynamic Effects

3.4 Brexit: Economic Consequences

(Chapter 6 B&W, Badinger (2007), Bertelsmann Stiftung (2015), Martínez-Zarzoso (2018a))

4. The Single Market Process: Growth Effects

4.1 Economic Impact of the Single Market: Growth Effects

4.2 Free Factor Movement inside the Internal Market: Labour Markets and Migration

4.3 Economic Effects of Integration

(Chapters 7 and 8 B&W, Badinger (2005), D'Amuri and Peri (2014), Kaplan et al. (2018), Guild, E. and Grant, S. (2017); Martínez-Zarzoso et al. (2020))

EU Selected Policies

5. EU Environmental Policy

5.1 History of the Policy Strategies

5.2 Objectives, Targets and Timetables

5.3 The “new” Environmental Policy of the EU

5.4 Environmental Provisions in Trade Agreements

(Jordan and Adelle, 2012; Schoenefeld et al., 2017; Martínez-Zarzoso, 2018b)

6. Innovation Patterns and the EU Regional Policy

6.1 The Facts

6.2 Innovation Patterns

6.3 EU Regional Policies

6.4 Technology Transfer and Trade Agreements

(Anvret et al, 2011; Camagni and Capello (2013); Chelala and Martínez-Zarzoso, (2017); Martínez-Zarzoso et al., (2019))

7. Trade Policy

7.1 Facts: Today's World

7.2 The EU Trade Policy

7.3 Dimensions: Multilateral, Bilateral and Unilateral

7.4 Non-Preferential Trade and MFN

(Chapter 12 B&W, European Commission (2017), Voicu et al. (2018))

References

Basic References

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Additional references

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Articles

Acharya, R., Crawford, J-A., Maliszewska, M. and Renard, C. (2011), Landscape, Chapter 2 in J.-P. Chauffour and J.-C. Maur (Eds) *Preferential Trade Agreements Policies for Development: A Handbook*, World Bank Publications, Washington, DC. Available online at: <http://siteresources.worldbank.org/INTRANETTRADE/Resources/C2.pdf>.

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Camagni, R. and Capello, R. (2013), Regional Innovation Patterns and the EU Regional Policy Reform: Towards Smart Innovation Policies, *Growth and Change* 44 (2), 355-389.

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Gnutzmann, H. and Mkrtychyan, A. (2016), The Silent Success of Customs Unions (August 1, 2014). Available at SSRN: <http://ssrn.com/abstract=2490929>.

Guild, E. and Grant, S. (2017), What Role for the EU in the UN Negotiations on a Global Compact on Migration? Research Report, CEPS No 2017/05. Available at: <https://www.ceps.eu/publications/what-role-eu-un-negotiations-global-compact-migration>.

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Recommended Websites:

http://highereducation.com/sites/0077169654/information_center_view0/table_of_contents.html

European Central Bank Monthly Bulletin: <http://www.ecb.int>

<http://www.europeanintegration.be>

<http://www.ena.lu>

<http://ec.europa.eu/trade/policy>

<http://www.economicsnetwork.ac.uk/european/lecturenotes>

Fondation Robert Schuman: <https://www.robert-schuman.eu/en/>

EU Trade on Twitter: https://twitter.com/Trade_EU

Commissioner website: http://ec.europa.eu/commission/2014-2019/malmstrom_en

Commissioner on Twitter: <https://twitter.com/MalmstromEU>

EU Trade Newsletters: <http://trade.ec.europa.eu/eutn/register.htm>