ECONOMICS OF EUROPEAN INTEGRATION
CEU, Economics Department

Lecturers: Prof. Kalman Dezseri 1-4, 17-18
       Prof. Alfred Tovias  5-12
       Prof Tal Sadehon  13-16
Course: 3 credits

Reading
The main text which will be used is:
R. Baldwin and C. Wyplosz, The Economics of European Integration, McGraw Hill, 2004
This will be supplemented by frequent references to the following:
1) J. Pelkmans, European Integration: Methods and Economic Analysis, 2nd ed. Prentice Hall, 2001
4) El-Agraa The European Union  (6th ed)
5) David Dyker The European Economy (2nd ed)

On such a fast changing subject texts are almost always out of date so journal articles need to be used. To keep up to date the Journal of Common Market Studies (JCMS) has a special issue each year which includes a review of the previous year's activities of the EU. There are frequently good articles in the journal Economic Policy. The European Commission maintains a host of Web sites, which can be accessed from the EU’s main site at http://europa.eu.int (from where you can navigate in any of the 20 EU official languages). These can be useful in getting up to date information on policy. Statistical information can be found at http://europa.eu.int/comm/eurostat, and from the ECB web site at http://www.ecb.int.

Structure of the Course:

PART ONE (Prof. Dezseri)

Lecture 1 and 2 (10 and 12 January)

History of the European integration
- political ideas,
- integration theory (B.Balassa, J.Viner, T.Scitovsky, R.Nurske, etc)
- economic integration organisations in the world economy, global experience, WTO rules
- the process of economic integration: deepening, widening, enlargement (the treaties)
- economic tools of analysing EU integration,
- international monetary conditions
- enlargement
Reading:
Baldwin – Wyplosz: Ch. 1 and 4 and 10
Further reading:
Pelkmans: Ch. 1 and 2

Lecture 3 (17 January)
Institutions, law of the EU
- institutions,
- reforms of the EU institutions
- decision making,
Reading:
Baldwin – Wyplosz: Ch. 2 and 3
Further readings:
Artis – Nixons: Ch 1
Pelkmans: Ch 1 and 2
El-Agraa: Ch 25

Lecture 4 (19 January)
Economic constitution of the EU.
- economic constitution for integration, Single Market Act, the treaties
- subsidiarity and economic functions of the EU (economics of subsidiarity, subsidiarity and EU regulatory strategy)

Reading:
Pelkmans: Ch. 3
Baldwin – Wyplosz: Ch. 2
Further readings:
El-Agraa: Ch. 2
Pelkmans: Ch 3 and 4
El-Agraa: Ch 3

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Prof Alfred Tovias
(structure to be revised)

Lectures 5 (3 February)

Budget

Lecture 6 (6 February)

Common Agricultural Policy (CAP)

Lecture 7 (7 February)

The theory of preferential liberalisation (Customs Union Theory)
Trade and integration; the core economic theory of the EC; preferential liberalisation and Customs Unions; the NICNIR framework; the concepts of trade creation and trade diversion
Modifying CU theory: the role of scale economies; terms of trade effects; dynamic effects; measuring the effects of a customs union (ex ante and ex post approaches); the determinants of intra-EC trade; the growth of intra-industry trade.

Reading
Baldwin and Wyplosz, Chapters 4-5.
Pelkmans, Chapters 5-6
Artis and Nixson, Chapter 3

Further Reading

Lecture 8  (8 February)

New Trade Theories and Market Integration
Trade under imperfect competition; the need for competition policy; the growth of non-tariff barriers; problems of competitiveness and the lack of convergence.

Reading
Baldwin and Wyplosz, Chapter 6
Pelkmans, Chapters 6-8

Further Reading

Lecture 9  (9 February)

Competitiveness and Competition in the Single Market
The Single Market programme - the four freedoms (goods, services, capital and labour), non-tariff barriers, factor mobility; the effects of imperfect competition; the location of industry and the “new economic geography”

Reading
Baldwin and Wyplosz, Chapters 6 and 9
Pelkmans, Chapters 5-10, 12, 14
Artis and Nixson, Chapters 6-7

Further Reading
A. Sapir The effects of Europe’s internal market program on production and trade: a first assessment Weltwirtschaftliches Archiv 132 (1996) 457-475
AJ Venables, Localization of industry and trade performance Oxford Review of Economic
Lecture 10  (10 February)
Labour markets in the EU
The role of labour market and social policies; migration within the Single Market; migration as a macroeconomic stabilisation mechanism; the costs and benefits of internal and external migration; macroeconomic aspects of labour market policy.

Reading
Baldwin and Wyplosz, Chapters 7 and 17
Pelkmans, Chapters 9-10
Artis and Nixson, Chapter 14

Further Reading
M Dewatripont, A Sapir, K Sekkat (eds) Trade and Jobs in Europe esp. Chapters 5, 7
*T Andersen, N Haldrup, J R Sørenson, Labour market implications of EU product market integration, Economic Policy, 30, April 2000, pp. 107-133

Lecture 11  (15 February)
External relations: trade policy

Lecture 12  (16 February)
External relations: aid policy, migration

Lecture 13  (17 February)

Monetary Integration
Why monetary integration?; the development of monetary integration in the EU; the theory of optimum currency areas; is the EU an OCA?; does monetary integration affect trade?

Reading:
Baldwin and Wyplosz, Chapters 11-13
Pelkmans, Chapters 16-17
Artis and Nixson, Chapter 12
De Grauwe, Chapters 1-6

Further Reading
B Eichengreen, European monetary unification Journal of Economic Literature, 31 (1993),
Lecture 15 (1 March)

**Economic and Monetary Union: Monetary and Fiscal Policy in EMU**

The transition to a single currency; Monetary policy in EMU; the role of fiscal policy in EMU; The Stability and Growth Pact and the coordination of macroeconomic policy; EMU prospects for new member states

*Reading*

Baldwin and Wyplosz, Chapters 14-15
Pelkmans, Chapter 17
Artis and Nixson, Chapters 12-13
De Grauwe, Chapters 7-9

*Further Reading*


Lecture 16 (3 March 3)

**The ECB: Making monetary policy and financial markets**

The ECB policy rules and practice; financial institutions and financial integration

*Reading*

Baldwin and Wyplosz, Chapters 14-16
Pelkmans, Chapter 17
Artis and Nixson, Chapters 12-13
De Grauwe, Chapters 7-8, 10
Further Reading
Oxford Review of Economic Policy 19(1) May 2003 Special Issue on EMU, Four Years On especially articles by Allsopp and Artis; Buitert; Buti et al.
Economic Policy, 37, October 2003 Special issue on EMU Assessment, especially papers by Honohan and Lane, Cecchetti and Wynne, Gail and Perotti.

Prof Dezseri

Lecture 17

Competitiveness and Growth
Competitiveness, productivity and growth; old and new theories of growth, factor market integration; industry policy; the ‘Lisbon Strategy’; the EU in the world economy; international competitiveness of the EU; current economic problems of the EU (ageing societies, financial markets, etc.)
Reading
Baldwin and Wyplosz, Chapter 7
Pelkmans, Chapters 15-16
Further Reading
N. Crafts, Productivity growth reconsidered, Economic Policy, 15, October 1992
*N. Crafts, Post-neoclassical endogenous growth theory: what are its policy implications?
André Sapir (Chairman), An Agenda for a Growing Europe: Making the EU Economic System Deliver Report of an Independent High-Level Study Group established on the initiative of the President of the European Commission (published by OUP, 2004).
p.21-68
W. Kok Report
Lamfalussy Report (Report on the regulation of the European securities market)
(Files can be downloaded from the EU web site)

Lecture 18

Convergence and Regional Problems
Comparisons of regional and national experiences of convergence; causes and implications of regional disparities in a single market; centrality versus peripherality; the role of regional policy; the principle of additionality; mismatch (tendency of funds to go disproportionately to richer regions); the move to Structural Funds; the relevance of spatial policy in a single market
Reading
Baldwin and Wyplosz, Chapter 9
Further Reading
*M. Boldrin and F. Canova, Inequality and convergence in Europe’s regions: reconsidering European regional policies, Economic Policy, 32 (2001) 205-253
P Martin, Can regional policies affect growth and geography in Europe? The World Economy, 21(1998) 757-774