

Session 2009–10  
Autumn Term  
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## EC329 Economics of the European Union

### Course Outline and Reading List

Details of assessment and submission deadlines are contained in the Undergraduate Economics Handbook, available from room 5B.211. Further information about the course is contained in the University's *course catalogue*, see:  
<http://www2.essex.ac.uk/courses/>.

#### Textbooks

The main textbook for this course is:

R. Baldwin and C. Wyplosz, *The Economics of European Integration* (2<sup>nd</sup> or 3<sup>rd</sup> ed.), McGraw Hill, 2006/2009. [BW2 or BW3]

Baldwin & Wyplosz is a full and modern analysis of the economics underlying the process of European integration and the lectures will follow this text quite closely. This book is now in its third edition but the second, and to some extent the first edition, are still usable. In the course outline below, the relevant chapters for both the 2<sup>nd</sup> and the 3<sup>rd</sup> editions are listed (BW2 stands for the 2<sup>nd</sup> edition, BW3 for the 3<sup>rd</sup> edition).

In addition to BW, a large number of books deal with some (or all) of the topics covered by the course and references are given for most topics in the course outline below:

A. M. El-Agraa, *The European Union, Economics and Policies* (7<sup>th</sup> or 8<sup>th</sup> ed.), Pearson Education Limited, 2004/2007. [EA]

M. Artis and F. Nixson (eds.), *The Economics of the European Union* (3<sup>rd</sup> or 4<sup>th</sup> ed.), Oxford University Press, Oxford, 2001/2007. [AN]

J. Hansen (ed.), *European Integration: An Economic Perspective*, Oxford University Press, Oxford, 2001. [JH]

J. Harrop, *The Political Economy of Integration in the European Union* (3<sup>rd</sup> ed.), Edward Elgar, Cheltenham, 2000. [HR]

T. Hitiris, *European Union Economics*, Pearson Education, Harlow, 2003. [TH]

W. Molle, *The Economics of European Integration: Theory, Practice, Policy* (5<sup>th</sup> ed.), Dartmouth, Aldershot, 2006. [WM]

J. Pelkmans, *European Integration: Methods and Economic Analysis* (3<sup>rd</sup> ed.), Prentice Hall, Harlow, 2006. [JP]

The above texts all combine reasonably up-to-date coverage with comprehensive analysis (although the economics sometimes feels a bit outdated). Pelkmans, Molle, El-Agraa and Hitiris are standard textbook treatments while Artis & Nixon and Hansen provide collections of articles on different topics related to the economics of European integration. Harrop is slightly outdated but complements the other books in that he focuses on the UK perspective.

Finally, two books that specialise in EU monetary integration and should be useful for the last part of the course are:

P. de Grauwe, *The Economics of Monetary Union* (5<sup>th</sup> or 6<sup>th</sup> ed.), Oxford University Press, Oxford, 2003/2007.

S Eijffinger & J de Haan, *European Monetary and Fiscal Policy*, Oxford University Press, Oxford, 2000.

### **Course materials**

Course materials are made available online in the Course Materials Repository. Lecture notes in PowerPoint format will be uploaded around the dates of the corresponding lectures.

### **Formative assessment**

The formative assessment for this course will consist of a short exam using questions of the type that will appear in the final exam (e.g. questions from previous years' exams). The approximate date for the formative assessment is week 8 of the autumn term.

## **Course outline**

*Starred entries are required readings*; all other readings are not directly examinable but should be useful for a better understanding of the material covered in the lectures.

### **1. The European Union: History, Facts and Institutions**

*i) Overview of the course; ii) an overview of EU (economic) history from World War II to Eastern Enlargement and the rejection of the Constitutional Treaty; iii) EU institutions and decision-making procedures; iv) important economic facts on the EU member states; v) the EU budget.*

\*[BW2 or BW3], ch. 1, ch. 2.1-2.7

[WM], pp. 41-46 and ch. 4; [AN] ch. 1-2; [JP], ch. 19; [HR], ch. 1-2; [JH], ch. 1; [TH], ch. 2 and 4; [EA], ch. 2,3,5 and 19

### **2. The Internal Market I – Market Size and Scale Effects**

*i) Theoretical tools: models of imperfect competition and market size; ii) effects of market integration on firm size and efficiency, number of firms, price-cost margins*

*and output; iii) EU rules on state aid and competition policy; iv) some facts on market integration and industrial restructuring.*

\*[BW2 or BW3], ch. 6; \*[BW2], ch. 11; \*[BW3], ch. 14;

[WM], pp. 240-248; [AN], ch. 3.5 and ch. 6; [JP]: ch. 6.3, ch. 6.5-6.6.1, ch. 9.4, ch. 12; [HR], ch. 3, ch. 5: p. 119-124; [JH], ch. 5.6-5.8; [TH], pp. 11-15 and ch. 3.2; [EA], ch. 6-7, 12 and 13.3

### **3. The Internal Market II – Growth Effects**

*i) The logic of economic growth and some facts on the EU; ii) medium-run growth effects of EU integration (capital accumulation); iii) long-run growth effects of EU integration (knowledge creation and absorption).*

\*[BW2 or BW3], ch. 7

[JP], ch. 6.6.2; [HR], ch. 3; [JH], ch. 4; [TH], pp.18-23; [EA], ch. 6-7

### **4. The Internal Market III – Labour Markets and Migration**

*i) An overview of EU labour markets; ii) economic analysis of labour market rigidities and unemployment; iii) the impact of economic integration on EU labour markets; iv) migration and its impact on EU labour markets.*

\*[BW2 or BW3], ch. 8

[WM], ch. 7; [AN], ch. 14; [JP] ch. 9.2, ch. 10.1-10.2, ch. 10.4; [JH], ch. 3; [TH], pp. 15-18; [EA], ch. 18.5-18.6

### **5. Revision lecture/class: The Internal Market**

### **6. EU Policies I – The Common Agricultural Policy**

*i) The Common Agricultural Policy (CAP) from the 1960s to the 1980s; ii) problems and reforms: the 1980s until today; iii) an evaluation of today's CAP and future challenges.*

\*[BW2], ch. 9; \*[BW3], ch. 12

[WM], ch. 9; [AN], ch. 5; [JP] ch. 11; [HR], ch. 4: pp. 87-113; [JH], ch. 5.3; [TH], ch. 7; [EA], ch. 20

### **7. EU Policies II – Trade Policy**

*i) Facts on the EU's trade patterns; ii) EU institutions for trade policy; iii) EU external trade policy.*

\*[BW2], ch. 12; \*[BW3], ch. 15

[WM], pp. 76-79 and pp. 317-326; [AN], ch. 11; [JP], ch. 13; [HR], ch. 10; [TH], ch. 8; [EA], ch. 24 and 25.1

### **8. EU Policies III – Regional Policy**

*i) The economic geography of the EU and the rationale for a regional policy; ii) the effects of economic integration on the location of economic activity; iii) EU regional policy: instruments, objectives and guiding principles.*

\*[BW2], ch. 10; \*[BW3], ch. 13

[WM], pp. 295-305; [AN], ch. 8; [JP]: ch. 16; [HR], ch. 7: pp. 162-182 and pp. 190-193; [JH], ch. 5.5; [TH], ch. 10; [EA], ch. 22

## **9. The European Monetary System**

*i) A brief history of the European Monetary System (EMS) and the Economic and Monetary Union (EMU); ii) the theory of optimum currency areas; iii) Is Europe an optimum currency area?; iv) institutional setup of the EMU and the Stability and Growth Pact (SGP); v) the economic logic behind these institutions; vi) a brief evaluation of the first years of EMU and SGP.*

\* [BW2], ch. 13, 16-18; \*[BW3], ch. 10.3, ch. 11, 16-18

[WM], ch. 15; [AN], ch. 12-13; [JP]: ch. 17.4-17.5, ch. 18; [HR], ch. 8; [JH], ch. 8; [TH], ch. 6; [EA], ch. 8-10

P. de Grauwe, ch. 1-4, ch. 7-9, ch. 10.3; S. Eijffinger and J. de Haan, ch. 1-4, ch. 7

## **10. Revision lecture/class: EU Policies and European Monetary System**