

**ECONOMICS OF THE EUROPEAN UNION**

M-W 3:30 – 5:20

SAV132

**Instructor:** Michelle Turnovsky ([mturn@u.washington.edu](mailto:mturn@u.washington.edu))**Office Hours:** TBA

At specific time on zoom

**Course web page:**

On canvas

**Course Overview:**

This course focuses on the economic aspects of the European Union. The historical and institutional backgrounds are surveyed briefly to clarify the special nature of the EU as an economic entity. Then the integration and trade issues are expounded; the evolution from a customs union to a single market and the trade relations with the rest of the world and specially with the US. Next the international finance aspects are investigated, including the various efforts toward monetary integration: from the “snake” to the EMS and eventually to a monetary union with a single currency, the Euro, and a European Central Bank. The efforts towards further integration as well as the Brexit disentanglement will be discussed. Specific economic issues may be raised: the common agricultural policy, the environmental struggles, etc.

**Note:** This course is an *elective for the Certificate in International Economics*.**Text:** Michelle Turnovsky, *Economics of the European Union* – available online (course web page on Canvas) by groups of chapters.**Course Learning Objective:**

- Understand the institutional working of this unique political and economic entity.
- Learn how economic integration – removal of barriers to trade, creation of a common market – brings benefits to all the members.
- Learn how a monetary union – with a common central bank, a common monetary policy, a common currency – works and the potential gains to the member countries.
- Understand the historical perspective leading to this economic and monetary integration.
- Discuss recent shocks and developments – financial crisis, Brexit, covid leading to further integration, the Ukraine war and its resulting energy crunch, inflation – and their impact of the system.

# Economics of the EU

## INTRODUCTION

What is the EU? (Introduction)

## I THE FRAMEWORK OF THE EUROPEAN UNION

Development of the EU--historical background (ch I)

The Maastricht Treaty and the European Union

Decision-making process in the EU--institutional background (ch II)

The budget of the EU (ch III)

## II ECONOMIC INTEGRATION AND INTERNATIONAL TRADE ISSUES

### 1. Basic Trade Theory (ch IV)

Comparative advantage--factor endowment--other theories

Barriers to trade--tariff and other

Economic integration--custom union etc.

### 2. The Internal Market (ch V)

#### a. Background of the EU common commercial policy

Historical development

The White Paper and the Single European Act

#### b. The workings of the internal market

Free movement of goods, services, labor, and capital

Specific issues: Competition policy – Standards - Public procurements and state aid - Fiscal harmonization - Banking and financial services

#### c. Overall analysis

Labor market rigidities and unemployment issues (ch XIII)

### 3. External Trade - The Rest Of The World And The EU (ch VI)

GATT/WTO

Trade disputes

## III SPECIAL SECTOR OF EU POLICY

The Common Agricultural Policy (ch VII)

## IV INTERNATIONAL MONETARY ISSUES

### 1. Basic International Macroeconomic Theory (ch VIII)

Fixed versus flexible exchange rates arrangements

Monetary and fiscal policy under various arrangements

International capital mobility aspects

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## 2. The European Monetary System (EMS) (ch IX)

Historical survey-various attempts at monetary integration  
The common currency: ECU  
Description and functioning of the Exchange Rate Mechanism  
Integration of the European capital market  
Monetary instability in the EMS – currency crises of the 90ies

## 3. The European Monetary Union (EMU) (ch X and XI)

Proposals for the EMU ratified in the Maastricht Treaty  
Intermediary stages and The European Monetary Institute  
The European Central Bank  
The European monetary policy  
The Euro and its introduction  
The European financial markets

## V RECENT ISSUES

### 1. The Euro Crisis (ch XII)

Causes  
The Greek crisis  
A banking union

### 2. Brexit

An unexpected blunder  
The costs to the UK and to the EU

### 3. The pandemic

The EU response  
Further collaboration – more integration

### 4. The Ukraine war

The energy crunch  
Incentive for more collaboration

### 5. Inflation

The ECB response

**Prerequisites:** Econ 200 and 201 (or permission of the instructor) for students taking this class as JSIS 488 (Special Topics: Europe) and Econ 300 and 301 for students taking this class as Econ 475. Different exams will be set for the two groups taking into account the difference in the students' background in economics. If you are an econ major taking JSIS 488, talk to the instructor about the possibility (and conditions) of getting 400 level econ credits.

**Readings:** There is no textbook to buy for this course. The readings for your research paper are available in the various libraries and on-line. Readings and sources from EU official publications are available on-line from various EU agencies. Recent articles about the EU discussed in class will be uploaded regularly into the protected course webpage.

## Economics of the EU

**Course Requirements:** There will be several (2 to 4) assignments to submit on Canvas, two non-cumulative exams, and a research paper. More info about the research paper is available in a separate note (W-paper is a possibility). The JSIS students are expected to carry out a more substantial research project, from which a senior thesis could evolve.

**Grade:** Based on the assignments (10%), the exams (30% each), and the research paper (30%)

**NOTE:** Due to the time constraint, it may not be possible to cover all the topics listed above.

Information about religious accommodation at  
<https://registrar.washington.edu/students/religious-accommodations-request/>.

*Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. **Moreover, a grade of zero can be assigned by the instructor for the course.***