

**ECONOMICS OF THE EUROPEAN UNION**

**MW 12:30 - 2:20**

**SAV 264**

**Instructor:** Michelle Turnovsky ([mturn@u.washington.edu](mailto:mturn@u.washington.edu))  
Savery 354

**Office Hours:** TBA  
and by appointment (additional hours will be posted before exams)

**Course web page:**  
On catalyst

**Course Overview:**

This course focuses on the economic aspects of the European Union. The historical and institutional backgrounds are surveyed briefly in order to understand the special nature of the EU as an economic entity. Then the integration and trade issues are presented; 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 (negotiations through the WTO etc. ). Next the international finance aspects are investigated, including the various efforts toward monetary integration: from the “snake” to the EMS and eventually a monetary union with a single currency, the Euro, and the European Central Bank. Obviously the Euro crisis will be an ongoing topic of the lectures. A number of specific issues are also raised: the common agricultural policy, unemployment, 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) at the beginning of the quarter.

**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)

# Economics of the EU

## 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 and the EU  
Trade disputes

## III SPECIAL SECTOR OF EU POLICY

The Common Agricultural Policy (GATT and WTO) (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

### 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

### 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

## Economics of the EU

The European Central Bank  
The European monetary policy  
The Euro and its introduction  
The European financial markets

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

## V CONCLUSIONS - THE FUTURE OF THE EU

EU and EMU enlargement (ch XIII)

**Prerequisites:** Econ 200 and 201 (or permission of the instructor) for students taking this class as JSIS 494 (Euro Senior Seminar) 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.

**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 in the Government Publications Room. Recent articles about the EU will be uploaded regularly into the protected course webpage.

**Course Requirements:** There will be two *non-cumulative* exams and a research paper. The Euro students are expected to carry out a more substantial research project, from which their senior thesis could evolve.

**Grade:** The two exams and the research paper will be equally weighted.

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

## RESEARCH PAPER FOR ECON 475/EURO 494

Please submit your proposal by January 21, 2014 *by e-mail only*

Proposal should include

- a title
- a description (a few lines)
- a preliminary outline
- some preliminary sources

It may be

- approved
- approved subject to changes
- rejected

The paper should primarily have an economic content – you should avoid choosing a topic covering mostly business, political, institutional or economic geography issues.

*I will respond by e-mail.*

## **Economics of the EU**

Paper due on *February 18*

8 to 10 pages for econ 475 and at least 12 pages for Euro 494 with footnotes, references, and bibliography.

Tables and bibliography are in addition to the 8-10 pages.

Formal construction with introduction and conclusion. Include page numbers and use spell check on your computer.

A list of past papers titles will be available in a few weeks.

Ask me about the possibility of writing the paper as a W-paper.

ELL (English Learners) are strongly advised to go to the ELL writing center in the Department of Economics for help with their English (Schedule will be posted later). Well-written papers receive better grades.