

ECONOMICS OF THE EUROPEAN UNION

TTH 3:30 - 5:20

LOW 106

Instructor: Michelle Turnovsky (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. 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. The efforts towards further integration as well as the Brexit disentanglement will be discussed. A number of specific economic issues may be 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) by chapters.

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.

Economics of the EU

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 - TTIP
 - 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 – 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

Economics of the EU

Prerequisites: Econ 200 and 201 (or permission of the instructor) for students taking this class as JSIS 488 (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 a 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/JSISA 488

Please submit your proposal by October 16, 2018 **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.

Paper due on November 13

8 to 10 pages for econ 475 and at least 12 pages for JSISA 488 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. The schedule is different.

ELL (English Learners) are strongly advised to go to a writing center for help with their English. Well-written papers receive better grades.