ECONOMICS OF THE EUROPEAN UNION
MW 12:30 - 2:20
PAA A 114

Instructor: Michelle Turnovsky (mturn@u.washington.edu)
Savery 354

Office Hours: Tuesday 1:30 to 2:30 and Wednesday 10:00 to 11:00
and by appointment (additional hours will be posted before exams)

Course web page:

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
Economics of the EU

Intermediary stages and The European Monetary Institute
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 494B 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 (see reading list): There is no textbook 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 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 22, 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 19
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.

W-Paper for Econ 475/Euro 494

Please submit your proposal by January 22, 2014 by e-mail only
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.

First draft is due on February 12

I will read your first draft and suggest corrections and rewriting. You will get your draft back on February 24 and have a week to include the corrections and write the final version.

Final paper is due on February 26

10 pages for econ 475 and at 15 pages for Euro 494
with footnotes, references, and bibliography.

Tables and bibliography are in addition to the required pages.

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