

# COMPARATIVE ECONOMICS OF EUROPEAN INTEGRATION

## I. DATA OF THE COURSE (EQUIVALENT TO THE SUBJECT DATA SHEET)

**1. Course code:** KOZNXV4OG21

**2. Programme's name:** Master in Economic Analysis

**3. Course name (Hungarian):** Az európai integráció komparatív gazdaságtana

**4. Course name (English):** Comparative Economics of European Integration

**5. Number of hours per semester (Lecture + seminar + practical course + other):**

2 classes of lectures + 2 classes of seminars (i.e. 2 x 90 minutes) per week

**6. Credits:** 6

**7. Fall/Spring term:** Spring

**8. Language:** English

**9. Prerequisites:** -

**10. Course type:** Elective/mandatory, depending on program specifications

**11. Department/Institution:** Department of Comparative and Institutional Economics

**12. Course leader:** Zoltán Ádám, PhD

**13. Course description**

The course examines the process of economic integration in Europe during the post WWII period from a comparative economics angle. Emphasis is being placed on trade integration, economic growth, scale effects, policy adjustment, institutional rearrangement and economic crisis. The ambition of the course is to provide an economically well-informed understanding of European integration since 1945. Concepts of micro and macroeconomics will be used with reference to the macroeconomics of open economics in a Krugmanian sense.

#### **14. Course requirements during the semester**

Students are requested to reflect upon readings and analytical problems, and to carry out 10 small analytical exercises during the semester in groups of 4-5 persons. Each exercise should result in a short research note of approximately 1000 words (plus tables or graphs, depending on the research question) to be submitted on Moodle. Students are expected to actively participate in course discussions, based on the readings and analytical exercises and can present their findings in the upcoming class (one student per group). Students will write two tests, one at midterm, and one at the end of the term.

#### **15. Examination requirements**

Two tests: one at midterm, one at the end of the term.

#### **16. Assessment, grading**

*Grades are based on the following weights:*

- Two tests, carrying 37.5% each (maximum 30 points each)
- Analytical exercises: 20% (maximum 20 points – 2 points per exercise)
- Class participation: 5% (maximum 4 points)

*Grades are assigned as follows (out of 100 points as a maximum):*

less than 41 points: fail (1)

41 – 50 points: sufficient (2)

51 – 60 points: satisfactory (3)

61 – 70 points: good (4)

71 or more points: excellent (5)

#### **17. Readings**

##### **Compulsory reading**

- Richard Baldwin – Charles Wyplosz: The Economics of European Integration, McGraw-Hill, 3<sup>rd</sup> (2009), 4<sup>th</sup> (2012), or 5<sup>th</sup> (2015) edition, assigned chapters

## Recommended readings

- Antonakakis, Nikolas – Badinger, Harald – Reuter, Wolf Heinrich (2016): “Efficiency, proportionality and member states’ power in the EU Council of Ministers”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 435-448.
- Calmfors, Lars (2016): “The roles of fiscal rules, fiscal councils and fiscal union in EU integration”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 157-170.
- Craft, Nicholas (2016): “West European economic integration since 1950”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 3-21.
- Dabrowski, Marek (2016): “The Future of the European Union: Towards a Functional Federalism”. *Acta Oeconomica*, Vol. 66 (2016), S1, pp. 21-48.
- De Grauwe, Paul (2016): “Design failures in the Euro Area: Can they be fixed?”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 119-131.
- De Grauwe, Paul – Yi, Yuemei: “From panic-driven austerity to symmetric macroeconomic policies in the Eurozone”, *Journal of Common Market Studies*, Vol. 51 (2013), S1: 31–41. DOI: 10.1111/jcms.12042
- Feldstein, Martin (1997): “The Political Economy of the European Economic and Monetary Union: Political Sources of an Economic Liability”. NBER Working Paper No. 6150 (August 1997). Downloadable at [nber.org/papers/w6150](http://nber.org/papers/w6150).
- Krugman, Paul R. – Obstfeld, Maurice – Melitz, Marc J. (2015): *International Economics: Theory and Policy*. Pearson, 10th ed.
- Maes, Ivo (2016): “The history of European economic and monetary union”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 38-52.
- Mody, Ashoka (2016): “Living (dangerously) without a fiscal union”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 376-407.
- Wyplosz, Charles (2016): “The common currency: More complicated than it seems”. In Harald Badinger – Volker Nitsch eds.: *Routledge Handbook of the Economics of European Integration*. Milton Park and New York: Routledge, pp. 103-118.

## Further recommended readings

- Ascani, Andrea – Crescenzi, Riccardo – Iammarino, Simona (2012): “New Economic Geography and Economic Integration: A Review”. WP1/02 Search Working Paper (January 2012). Downloadable at <http://ub.edu/searchproject/wp-content/uploads/2012/02/WP-1.2.pdf>
- Baldwin, Richard – Giavazzi, Francesco (eds.) (2016): *How to fix Europe’s monetary union: Views of leading economists*. A VoxEU.org eBook, CEPR Press. Downloadable at <http://voxeu.org/ebooks>
- Csaba, László (2007): *The New Political Economy of Emerging Europe*. Second, revised, extended and updated edition. Budapest: Akadémiai.

- Eichengreen, Barry (2008): *The European Economy since 1945: Coordinated Capitalism and Beyond*. Princeton, NJ: Princeton University Press.
- King, Mervyn (2016): *The End of Alchemy: Money, Banking, and the Future of the Global Economy*. New York: W.W. Norton & Company.
- Krugman, Paul R. (1997): "What should trade negotiators negotiate about?". *Journal of Economic Literature*, 35(1):113–20.
- Lane, Philip R (2012): "The European Sovereign Debt Crisis". *Journal of Economic Perspectives*, 26(3), 49-67. <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.3.49>
- Sadeh, Tal – Verdun, Amy (2009): "Explaining Europe's Monetary Union: A Survey of the Literature". *International Studies Review*, 2009/11, 277-301
- Sinn, Hans-Werner (2014): *The Euro Trap. On Bursting Bubbles, Budgets, and Beliefs*. Oxford University Press.
- Stiglitz, Joseph E. (2016): *The Euro: How a Common Currency Threatens the Future of Europe*. New York: W.W. Norton & Company.
- Varoufakis, Yanis – Holland, Stuart – Galbraith, James K. (2013): *A modest proposal for resolving the Eurozone crisis, Version 4.0*. Downloadable at <https://varoufakis.files.wordpress.com/2013/07/a-modest-proposal-for-resolving-the-eurozone-crisis-version-4-0-final1.pdf>

### **18. Course professor (s)/ lecturer(s)**

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## **II. PROGRAMME OF THE COURSE (DETAILS OF THE CONTENTS AND REQUIREMENTS)**

### **19. Aims, objectives and description of the course**

The course examines the process of economic integration in Europe during the post WWII period from a comparative economics angle. Emphasis is being placed on trade integration, economic growth, scale effects, policy adjustment, institutional rearrangement and economic crisis. The ambition of the course is to provide an economically well-informed understanding of European integration since 1945. Concepts of micro and macroeconomics will be used with particular reference to the macroeconomics of open economics. In this sense, the course is an applied micro/macro economics course. Questions to be discussed will include the followings: Why did European nations, in the first place, decide to launch the integration process after WWII? Why did the European Community, and subsequently the European Union, proved more successful than other forms of regional integration such as EFTA? Was the EC/EU successful economically? Was the launching of the Euro a successful economic endeavor in the early 2000s? What went wrong towards the end of the decade? Why is the EU still struggling with the economic and institutional crisis it fell in the aftermath of the 2008-09 global financial meltdown? Is the EU likely to survive the crisis in its present form?

The course will combine approaches of historical institutionalism, institutional economics and standard neoclassical micro and macroeconomics. It will mainly engage in quantitatively informed qualitative analysis of economic processes, but simple quantitative exercises might be also carried out in seminars.

## 20. Course schedule

	Topic	Readings
Week 1 Feb 8	European integration in historical perspective	Compulsory: Baldwin – Wyplosz, chapter 1 Recommended: Crafts (2016)
Week 2 Feb 15	Governance of the EU -1: Institutions	Compulsory: Baldwin – Wyplosz, chapter 2 Recommended: Maes (2016)
Week 3 Feb 22	KORNAI CONFERENCE (Feb 21-22)	Students are supposed to attend at least two conference panels and/or keynote speeches
Week 4 Mar 1	Governance of the EU – 2: Decision making	Compulsory: Baldwin – Wyplosz, chapter 3 Recommended: Antonakakis et al. (2016)
Week 5 Mar 8	Microeconomics of economic integration 1: The economics of trade liberalization	Compulsory: Baldwin – Wyplosz, chapters 4, 5 Recommended: Krugman et al. (2015), chapter 6, 8
Week 6 Mar 15	NATIONAL HOLIDAY	NO CLASS
Week 7 Mar 22	Microeconomics of economic integration 2: Market size and scale effects	Compulsory: Baldwin – Wyplosz, chapter 6 Recommended: Krugman et al. (2015), chapter 10
Week 8 Mar 29	MIDTERM TEST	
Week 9 Apr 5	SPRING BREAK	NO CLASS
Week 10 Apr 12	Microeconomics of economic integration 3: Growth effects and factor market integration	Compulsory: Baldwin – Wyplosz, chapter 7 Recommended: Krugman et al. (2015), chapter 8
Week 11 Apr 19	Europe's exchange rate question and the theory of optimum currency areas	Compulsory: Baldwin – Wyplosz, chapters 10, 11 Recommended: Krugman et al. (2015), chapter 21, Feldstein (1997)
Week 12 Apr 26	European monetary integration	Compulsory: Baldwin – Wyplosz, chapters 16, 17 Recommended: Wyplosz (2016)
Week 13	Fiscal policy and the Stability Pact	Compulsory: Baldwin – Wyplosz, chapter 18

May 3		Recommended: Mody (2016), Dabrowski (2016)
Week 14	The Eurozone in Crisis	Compulsory: Baldwin – Wyplosz (2015 edition), chapter 19
May 10		Recommended: De Grauwe – Yi (2013), De Grauwe (2016)

## **21. Learning outcomes**

As a result of the course, students develop an understanding of the process of European economic integration and its respective phases, participants, crises and solutions. They learn to use micro and macroeconomic concepts and analytical techniques in examining a real-world economic phenomena: the integrated economy of Europe. Hence, an advanced knowledge of European economic developments is to be acquired along with a substantial understanding of the political economy dynamics underpinning the integration process since its inception in the late 1940s up until today.

## **22. Student assignments**

Students are requested to reflect upon readings and analytical problems, and to carry out 10 small analytical exercises during the semester in groups of 4-5 persons. These should result in a well-argued analytical research note of no more than 1000 words (plus tables or graphs, depending on the research question) to be submitted. Students are also expected to actively participate in course discussions, based on the readings and analytical exercises.

## **23. Course assessment during the semester**

Analytical exercises are graded on a 0-2 points scale per exercise. Class participation is measured on a 0-4 points scale for the entire semester.