

2<sup>nd</sup> Semester  
Course 2022/2023  
Group 60

Social Science Department  
Universidad Carlos III de Madrid  
Economics Degree

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# The process of European Economic Integration

Lectures Mon 9:00-11:00 - Room 7.1.06 & **Workshop** Thu 10:45 -Room 6.1.03



## **Course Objectives**

This course provides a long-run view of the origins and historical developments of the European Economic Community (EEC) and the European Union (EU) since the 1950s in a macroeconomic history perspective. It focuses on the two main outcomes of European integration: the establishment of a Single Market and the introduction of a Single Currency – two sides of the same coin (one market, one money). The course provides analytical insights on both aspects of European integration, paying special attention to critical junctures and transformative crises that shaped the development of supranational institutions in Europe.

## **Prerequisites**

You will be asked to read a very large amount of written material both for lectures and exams and for the workshops, all available on the web. This is an elective third-year course in economics and you are expected to assist **ALL** lectures and workshop sessions. A solid command of written and oral English is essential. Previously taken courses in international trade and macroeconomics (intermediate level) are indispensable for interpreting results in the assignments, and the necessary comprehension and endurance in reading and processing the academic literature assigned.

## **Course Structure**

*Lectures* combine historical analysis and key concepts from macroeconomic theory. The main objective is to understand the unique characteristics of European integration as a process of institutional integration. They also analyze the policy dilemmas that in different historical periods motivated European governments' search for a regional area of economic integration, exchange rate stability and monetary coordination.

The *research workshop* gives students the opportunity to improve their skills in searching for information sources, collating academic literature, analyzing policy reports, managing data sets and writing professional/academic texts. The seminar focuses on a monographic issue, analyzes its theoretical/historical background and provides examples of relevant research questions and related datasets. The workshop will deal with the consequences of integration for income convergence, economic specialization and the relocation of economic activities within the EU. The data part of the workshops will help students develop skills related to data manipulation, visualization and analysis. The only technical requirement is a basic command of Excel. By combining data analysis with other quantitative and qualitative information sources (such as EU studies and reports, which will be discussed in reading part of the workshops), students will develop a small research project in the form of a case study essay, which will be also presented and discussed in class at the end of the course. The workshops enhance active learning based on student interaction and cooperation. During the sequence of workshops, students will work in teams of three. Each student should bring her/his own laptop to class. As an alternative to laptops, tablets might be used, but be aware that working with them might be quite impractical. Students will be given detailed guidelines about how to work with data and readings, how to frame and structure their case study essay and how to present their results during the last weeks of class.

## Materials

The course materials are available on Aula Global. They include: syllabus, weekly schedule, exam readings, lecture slides, readings, datasets and instructions for the research workshop and samples of past exams.

## Consultation tutorials

Consultation tutorials will be attended to by previous appointment only. Appointments will be arranged by email and sessions will be held in Google Meet sessions in a 20-minute format after having submitted a written summary of the issues to be discussed.

## Grading

The final grade is calculated as follows: exam: 60% (split into a 1<sup>st</sup> half and 2<sup>nd</sup> half exam, with equal weight) research seminar: 40%. Please notice that a minimum average grade of 5.0 in both the half exams is required in order to pass the exam part of the qualification and the course as a whole. There will be **NO make-ups for any of the missed activities** in the course. Failure to appear for workshop evaluations, exams or any other form of evaluation will result in a zero for that session. Program you other activities accordingly.

## Attendance and behavior

Attendance to all sessions is strongly recommended in order to acquire the skills and knowledge required to pass this course. Students who expect to be unable to attend regularly should discuss the appropriate compensatory arrangements. Each student is responsible for keeping up with the assigned materials. Students should be respectful of the classroom, the learning space, and with each other. You are expected to be open-minded, constructively critical and respectful with your fellow students and their opinions. Disruptive behaviors include, but are not limited to, showing up late to class, leaving early, using cell phones, tablets or laptops for purposes other than those assigned in class, talking with fellow students or distracting them during lectures or workshop briefings or during other students' interventions or presentations. The use of smartphone and other social media devices in class can be disruptive, you will be prompted to put them in airplane mode, switch them off or stow them away during class.

## Course outline

Week	Day	Monday	Day	Thursday
1	30-Jan	Course Intro & Overview	2-Feb	Origins of European integration - Post-war
2	6-Feb	The balance of payments adjustment	9-Feb	Integration and growth
3	13-Feb	The EEC and the Golden Age of European Growth	16-Feb	Introduction Workshop
4	20-Feb	The Trilemma - the impossible trinity	23-Feb	Workshop
5	27-Feb	Western Europe under Bretton Woods	2-Mar	Workshop
6	6-Mar	Oil shocks, productivity slowdown and nominal divergence	9-Mar	Workshop
7	13-Mar	Nominal convergence: the European Monetary System	16-Mar	Workshop
8	20-Mar	Holiday	23-Mar	Workshop
9	27-Mar	The European Single Market	30-Mar	Mid-term Exam
10	3-Apr	Easter Break	6-Apr	Easter Break
11	10-Apr	Easter Break	13-Apr	The Integration of Eastern European countries
12	17-Apr	Optimal currency areas	20-Apr	The Economic and Monetary Union
13	24-Apr	The Euro and the Eurozone Crisis	27-Apr	<b>Team Presentations</b>
14	1-May	Holiday	4-May	<b>Team Presentations</b>
15	8-May	<b>Team Presentations</b>	11-May	<b>Recap for Exam preparation</b>
<b>Friday May 26th, 12:00 - 2nd Half and Final Exam</b>			<b>Friday June 23rd 9:00 - Make-up Exam</b>	

### **Exam Readings**

**-Richard Baldwin & Charles Wyplosz, *The Economics of European Integration*, McGraw Hill Higher Education, 2019 (6<sup>th</sup> edition) [Library: S 339.923(4) BAL]**

Chapters:

- 1. History, pp. 4-31
- 2. Facts, law, institutions and the budget, pp. 38-70
- 6. Market size and scale effects, pp. 147-161
- 7. Growth effects and factor market integration, pp. 167-183
- 10. Location effects, economic geography and regional policy, pp. 241-261
- 13. Essential macroeconomic tools, pp. 299-326
- 15. Optimum currency areas, pp. 349-386
- 16. The European Monetary Union, pp. 389-418
- 19. The Eurozone in crisis, pp. 479-510

**-Eichengreen B., *The European Economy Since 1945: Coordinated Capitalism and Beyond*, Princeton University Press, 2008 [Library: S 338.1E(4) EIC]**

Chapters:

- 2. Mainsprings of growth, pp. 15-51
- 3. The postwar situation, pp. 52-85
- 6. The integration of Western Europe, pp. 163-197
- 7. The apex of the Golden Age (only pp. 216-224)
- 8. Mounting payments problems, pp. 225-251
- 9. Declining growth, rising rigidities, only pp. 282-293
- 10. The collapse of central planning, pp. 294-334
- 11. Integration and adjustment, pp. 335-376

**-Eichengreen B., *Globalizing Capital. A History of the International Monetary System*, Princeton University Press, 2019 (3<sup>rd</sup> edition) [Library: S 339.7(09) EIC]**

Chapters:

- 6. A Brave New Monetary World (sections: The Euro and International Currency Competition, pp. 207-2015)
- 7. A Decade of Crisis (sections: From Subprime Crisis to Global Financial Crisis, Greece's Crisis, Europe's Crisis, pp. 216-236)