

The Economics of European Integration

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This course is designed for students with a good background in general microeconomics and some knowledge of international trade theory and policy analysis. The course is based on lectures and in-class presentations of assigned problems or of assigned articles by small groups of students.

Textbook

Baldwin & Wyplosz, "The economics of European integration" McGraw-Hill.

Other Textbooks on European Economic Integration

- Wallace, H and Wallace, W. (2005) Policy-making in the European Union, Oxford.
 - An update to account of many of the finer details of EU policies; each chapter is written by a different political scientist or practitioner. Excellent treatment of politics and institutions.
- Jacques Pelkmans (2001), Methods and Economic Analysis 2nd Edition, FT Prentice Hall.
 - This is now somewhat out of date, but it contains a fantastic volume of facts, history and insight on the full spectrum of EU activities by an economist who has been working in the heart of Brussels for decades.

Websites:

- Google is an essential research tool in the modern era and student should become familiar with research various issues. As always, the problem is to judge which sites are reliable and which are propaganda (lots of these on EU issues). The official site of the Commission europa.int is reliable even if it usually downplays/hides uncomfortable facts and conflicts, the Parliaments' www.europarl.eu is also pretty good especially the 'factsheets'.

Ground rules on the readings:

- Specific readings are listed for each lecture.
- "+ Readings": Articles and chapters marked with a "+" summarise the fundamental concepts using little or no mathematics. Given the diversity of students, all students should at least skim the material and those that have not had a good, advanced undergraduate course in trade should study the material closely.
- "* Readings": Those marked with a "*" are required.
- Other readings are optional.

Reading List

History

* Baldwin and Wyplosz, Chapter 1

Facts & Institutions

* Baldwin and Wyplosz, Chapter 1

Application to Constitutional Treaty

Baldwin & Widgren essays (see <http://hei.unige.ch/~baldwin/> click thru "Policy essays")

An Organising Framework for Policy Analysis

* Baldwin and Venables (1995) "Regional Economic Integration", in Handbook of International Economics: Vol. III, North-Holland, section 1.2

* Baldwin Teaching Handout "An Organising Framework."

MD-MS analysis: unilateral liberalisation & types of barriers

+ Chapter 4 Baldwin-Wyplosz

Diagrammatic and Algebraic Analysis

* Baldwin teaching handout

*** NICNIR preferential trade liberalisation**

* BW chap 5

General Theorems: Meade-Kemp-Wan-Ohyama, Dixit&Norman

* Baldwin Teaching Handout

Empirical evidence

- "Trade creation and trade diversion" Allen, Gasiorek & Smith (1996), in The Single Market Review Series.
- Winters, A. and Chang, W. (2000) "Regional Integration and Import Prices: An Empirical Investigation". *Journal of International Economics*, vol. 51, pp. 363-377.
- Carrère, C. (2005) "Revisiting the Effects of Regional Trade Agreements on Trade Flows with Proper Specification of the Gravity Model", *European Economic Review*, forthcoming.

Imperfect Competition and Increasing Returns (ICIR), Theory: Restructuring and Scale Effects

* BW chap 5

* Teaching handout, "The pro-competitive effects of trade liberalisation"

- * Baldwin and Venables pp 1605-1614
- Supplementary reading (optional): Venables (1990) "The economic integration of oligopolistic markets," *EER*, 34, 753-773.

Imperfect Competition and Increasing Returns (ICIR), Emprics

- * Head, K. and Mayer, T. (2000) "Non-Europe: The Magnitude and Causes of Market Fragmentation in the EU". *Weltwirtschaftliches Archiv*, vol. 136, pp. 285-314.
- * Allen, Gasiorek & Smith "The competition effect of the Single Market in Europe," *Economic Policy*, October 1998.

Growth effects, theory

* BW chap 7

- Baldwin, "Growth Effects of 1992," *Economic Policy*, 9, pp 247-282, 1989.

Growth effects, Empirics (reading only)

- Henrekson, Torstensson and Torstensson, 1997, EER.

Location Effects, Theory

* BW chap 10; focus on the theory part of the chapter

* Baldwin teaching handout

- Baldwin, Forsild, Martin, Ottaviano and Robert-Nicoud (2003) "The FC Model " Chapter 3, *Economic Geography and Public Policy*, Princeton University Press.
- Neary (2000) "Of Hype and Hyperbolas: Introducing the New Economic Geography", forthcoming *Journal of Economic Literature*.
- Chapter 5, Fujitita, Krugman and Venables, *The spatial economy*, MIT Press, 2000.
- Chapter 14, Fujitita, Krugman and Venables, *The spatial economy*, MIT Press, 2000.

Location Effects, Empirics

- Combes, P.-P. and Overman, H.G. (2004) "The Spatial Distribution of Economic Activities in the European Union". In: Henderson, J.V. and Thisse, J.-F. (eds.) *Handbook of Regional and Urban Economics - Volume 4: Cities and Geography*. Elsevier.
- Brülhart, M. (2001) "Evolving Geographical Specialisation of European Manufacturing Industries". *Weltwirtschaftliches Archiv*, vol. 137, pp. 215-243.
- Brülhart, M. (2004) "Sectoral Location, Core-Periphery Gradients, and European Integration". Mimeo, University of Lausanne.
- Ciccone, A. (2002) "Agglomeration Effects in Europe". *European Economic Review*, Vol. 46, pp. 213-227.

Competition policy

* BW chap 11, Competition policy

- European Commission (2004) “Competition Policy and the Consumer”

CAP

* BW chap 8

EU trade policy

* BW chap 12 (2nd edition manuscript),