

## **EUROPEAN ECONOMIC INTEGRATION**

*course outline, February 2005*

### **Summary**

The aim of this course is to equip students with a thorough, unbiased and critical understanding of the main economic issues that arise in the context of European integration. The course is designed for students with a solid background in economic theory and focuses mainly on microeconomic aspects. It will consist of a blend of lectures, class presentations by students, and assigned readings.

### **Contact**

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### **Course structure**

*Topic 1: Descriptive background*

- a. Post-War economic integration in Western Europe
- b. The decision-making institutions of the EU
- c. The budget of the EU

*Topic 2: Product-market integration*

- a. Regional integration in a neoclassical world
- b. Regional integration and increasing returns
- c. Empirical evidence

*Topic 3: Factor-market integration*

- a. Factor mobility in a neoclassical world
- b. Factor mobility and increasing returns
- c. Tax competition
- d. Empirical evidence

*Topic 4: Economic analysis of EU economic policies*

- a. Regional policy
- b. Agriculture
- c. Trade policy

## Readings

The following reading list contains the main references but may be subject to changes. Some course handouts will be posted on the web page.

*The course does not follow a unique textbook, but it draws on the following titles:*

- Baldwin, Richard and Wyplosz, Charles (2004) *The Economics of European Integration*, McGraw-Hill.
- Brakman, S.; Garretsen, H. and van Marrewijk, C. (2001) *An Introduction to Geographical Economics*, Cambridge University Press.
- Hansen, J.D. and Nielsen, J.U. (1997) *An Economic Analysis of the EU*, 2nd edition, McGraw-Hill.

*The following papers will be covered by student presentations:*

- Borjas G. (1995) "The Economic Benefits from Immigration" *Journal of Economic Perspectives*, vol. 9, pp. 3-22.
- Carrère, C. (2005) "Revisiting the Effects of Regional Trade Agreements on Trade Flows with Proper Specification of the Gravity Model", *European Economic Review*, forthcoming.
- 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.
- Goldberg, P.K. and Verboven, F. (2005) "Market Integration and Convergence to the Law of One Price: Evidence from the European Car Market", *Journal of International Economics*, vol. 65, p. 49-73.
- Grether, JM.; de Melo, J. and Müller, T. (2001) "The Political Economy of International Migration in a Ricardo-Viner Model" *CEPR Discussion Paper*, No. 2714.
- Griffith, R. and Klemm, A. (2004) "What Has Been the Tax Competition Experience of the Last 20 Years?" *Working Paper*, Institute for Fiscal Studies, London.
- 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.
- Konings, J. and Vandenbussche, H. (2005) "Antidumping Protection and Markups of Domestic Firms: Evidence from Firm-Level Data". *Journal of International Economics*, forthcoming.
- Martin, R. (1999) "The New 'Geographical Turn' in Economics: Some Critical Reflections". *Cambridge Journal of Economics*, vol. 23, pp. 65-91.
- Oxfam (2004) "Dumping on the World: How EU Sugar Policies Hurt Poor Countries" *Oxfam Briefing Paper*.
- Winters, A. (1997) "Regionalism and the Rest of the World: The Irrelevance of the Kemp-Wan Theorem". *Oxford Economic Papers*, vol. 49, pp. 228-234.
- Winters, A. and Chang, W. (2000) "Regional Integration and Import Prices: An Empirical Investigation". *Journal of International Economics*, vol. 51, pp. 363-377.

*Some pointers to further background reading:*

### **Topic 1**

- Baldwin and Wyplosz: ch. 1-3
  - + Williams, A.M. (1994) *The European Community: The Contradictions of Integration*, 2nd edition, Blackwell, 1994.
  - + Baldwin, R. and Widgrén, M. (2004) Winners and Losers under Various Dual Majority Rules for the EU Council of Ministers, *CEPR Discussion Papers*, No. 4450.
  - + Kauppi, H. and Widgrén, M. (2004) What Determines EU Decision Making? Needs, Power or Both?, *Economic Policy*, vol. 39, pp. 221-266.

### **Topic 2**

- Baldwin and Wyplosz: ch. 5, 6
- Hansen and Nielsen: ch. 2, 3, 5
- Robson: ch. 3
- + Goldberg, P.K. and Verboven, F. (2001) "The Evolution of Price Dispersion in the European Car Market", *Review of Economic Studies*, vol. 68, p. 811-848.
- + Markusen, J.R.; Melvin, J.R.; Kaempfer, W.H. and Maskus K.E. (1995) *International Trade: Theory and Evidence*, McGraw-Hill.
- + Jacquemin, A. and Sapir, A. (1989) *The European Internal Market: Trade and Competition*, Oxford University Press.
- + Panagariya, A. (2000) "Preferential Trade Liberalisation: The Traditional Theory and New Developments". *Journal of Economic Literature*, vol. 36, pp. 287-331.
- + Robson, P. (1998) *The Economics of International Integration*, 4th edition, Routledge.
- + Winters, L.A. (1999) "Regionalism Vs. Multilateralism". In: Baldwin, R.E. *et al.* (eds.) *Market Integration, Regionalism and the Global Economy*. CEPR, London.

### **Topic 3**

- Baldwin and Wyplosz: ch. 7, 9
- Brakman, Garretsen and van Marrewijk: ch. 3, 4, 11
- Hansen and Nielsen: ch. 3.5, 4
- + Brühlhart, M. (1998) "Economic Geography, Industry Location and Trade: The Evidence". *World Economy*, vol. 21, pp. 775-801.
- + Brühlhart, M. (2001) "Evolving Geographical Specialisation of European Manufacturing Industries". *Weltwirtschaftliches Archiv*, vol. 137, pp. 215-243.
- + Brühlhart, 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.
- + Emerson, M. *et al.* (1988) *The Economics of 1992*, Oxford University Press.
- + Faini, R. (1999) "European Migrants: An Endangered Species?". In: Baldwin, R.E. *et al.* (eds.) *Market Integration, Regionalism and the Global Economy*. CEPR, London.

- + Jacquemin, A. and Sapir, A. (1989) *The European Internal Market: Trade and Competition*, Oxford University Press.

#### **Topic 4**

- Baldwin and Wyplosz: ch. 8, 9
- Hansen and Nielsen: ch. 5.5, 6.2, 6.3, 6.5
- + Boldrin, M. and Canova, F. (2001) "Inequality and Convergence in Europe's Regions: Reconsidering European Regional Policies", *Economic Policy*, vol.16, pp. 205-253.
- + Brühlhart, M. and Matthews, A. (2004) "EU External Trade Policy", in Ali M. El-Agraa (ed.) *The European Union: Economics & Policies*, 7th edition, Pearson Education.
- + Braunerhjelm, P.; Faini, R.; Norman, V.; Ruane, F. and Seabright, P. (2000) *Integration and the Regions of Europe: How the Right Policies Can Prevent Polarization*, CEPR, London.
- + European Commission (2004) *A New Partnership for Cohesion* (3rd Report on Economic and Social Cohesion), Brussels.
- + Messerlin, P. (2001) *Measuring the Cost of Protection in Europe: European Commercial Policy in the 2000s*. Institute of International Economics, Washington DC.
- + Puga, D. (2001) "European Regional Policy in Light of Recent Location Theories". *CEPR Discussion Papers*, No. 2767
- + Sala-i-Martin, X. (1996) "Regional Cohesion: Evidence and Theories of Regional Growth and Convergence", *European Economic Review*, vol. 40, pp. 1325-1352.