Maynooth University International Summer School 2017

EC 217SS - Economics of the European Union

Overview
Comprising 26% of global GDP and over 503 million inhabitants, the EU is the world’s largest economy. The aim of this module is to provide an overview of EU institutions, policies and institutions in the context of appropriate Economic theory. The course will include a brief history of the EU, discussions of major policies as well as insights into the current challenges facing the Union.

Learning Outcomes
By the end of the module students will:
- understand the economic theory of preferential trade areas
- be familiar with the main features of the EU internal market
- be able to demonstrate a critical understanding of the EU’s key policies and their impact on the outside world
- understand and be able to articulate key debates about the future of the EU
- be able to critically discuss the economic issues involved in the EU’s main economic policy areas
- understand current problems and debates around the Eurozone crisis

Prerequisites
The course will appeal to any student interested in European affairs without prior knowledge of the subject. Basic knowledge of microeconomics would be helpful. In addition, we will often look at empirical data, thus some understanding of elementary statistics would be useful. It will not be necessary for students to have taken the module in International Trade.

Assessment
The assessment will consist of a presentation and an in class exam.
Topics Covered:

- **Economic theory and international law underlying preferential trade areas**
  Under WTO regulations, countries must treat all of their trading partners the same. One of the only exceptions to this is Article XXIV of the General Agreement on Tariffs and Trade (GATT) which permits countries to enter into preferential free trade agreements (PTAs) if they eliminate duties on “substantially all the trade” between them within a “reasonable length of time”. In 2011, there were almost 300 PTAs in force. This compares to just 70 in 1990.

  - Difference between free trade area, customs union and common market
  - Economic Theory: Trade creation, trade diversion, welfare effects
  - GATT: Article XXIV
  - Global significance of preferential trade areas and trends in PTAs

- **Foundations of the EU**
  - Aftermath of Second World War
  - The European Coal and Steel Community Treaty (1951)
  - Signing of the Treaty of Rome
  - EU expansion

- **Function of key EU institutions**
  - European Parliament
  - European Council
  - Council of the European Union
  - European Commission
  - Court of Justice of the European Union
  - European Central Bank

- **European Single Market**
  The EU Treaties aim at eliminating ‘all obstacles to intra-[Union] trade in order to merge the national markets into a single market bringing about conditions as close as possible to those of a genuine internal market’. The single market was completed in 1993. The cornerstones of the single market are often said to be the “four freedoms” – the free movement of people, goods, services and capital throughout the European Union.

- **The Euro**
  The Euro is the single currency shared by 18 of the EU’s Member States, which together make up the Euro Area/Eurozone. The introduction of the euro in 1999 was a major step in European integration: more than 333 million EU citizens now use it as their currency, and, as of November 2013, there was €951 billion in circulation globally.

  - Background to the introduction of the Euro
  - Role of the European Central Bank

- **Eurozone Crisis**
• The Common Agricultural Policy
The EU Common Agricultural Policy (CAP) was initially established to guarantee secure supplies of food for Europe's citizens but is now a multi-faceted policy. It has undergone a significant transformation over the past number of decades but has been criticised on the grounds of its cost, and its environmental and humanitarian impacts.

  o Introduction of CAP
  o Reforms of CAP
  o Economic Theory: Modelling of the effects of price floors
  o Controversies surrounding CAP

• Brexit
In June 2016, British citizens voted to leave the EU. Those campaigning for a Brexit asserted that Britain would benefit through:
  • No longer having to contribute to the EU Budget
  • Not having to comply with EU regulations
  • Not having to accept migrants from other EU states

Proponents of remaining in the EU pointed to:
  • Trading opportunities available to the UK both within the Customs Union and as party to preferential trade agreements
  • Loss of power on the global stage in the event of a Brexit
  • FDI attracted by the UK being a gateway to Europe

The results of the referendum, the various issues raised during the campaign and the impact on the Brexit vote on the UK over the past 12 months will be discussed.