

ECONOMIC FOUNDATIONS OF THE EUROPEAN INTEGRATION

Patrick Mardellat, PhD, PR

(2022-23)

Syllabus:

The European Union (EU) is currently recovering from an unprecedented economic crisis due to the pandemic and the measures that were taken to prevent the spreading of the COVID-virus. These measures were taken at a national level, each member state reacting with its own measures. The economic activity has been stopped. We see the end of the tunnel with the return of economic growth--the major EU economies have recovered their GDP of before the pandemic--, employment booming, but also inflation. All members states reacted with also the same kind of economic package to sustain the economic agent, but at the cost of higher public deficits. The frame of the Maastricht Treaty has exploded. The EU Commission has indebted itself against the rules of the Stability and Growth Pact, with the consent of Germany. We don't know how the EU economy will look like in a near future. The Commission has learned from its past failures, especially during the €-crisis. But the EU is now at a crossroad. We cannot go back to the orthodox view of public finance. A new step is necessary to complete the European Monetary Union (EMU). It must be achieved with a fiscal Union. The last crises (the €-crisis and the pandemic crisis) have shown the flaws of the European construction: A single currency with a Central Bank need a federal budget to face the next challenges, that are to prevent another debt crisis, to prepare our economies for the climate change, to face the return of protectionist policies, etc. The EU now needs a consolidated economic government.

We will discuss the economic foundations of the European integration. The objective was to consolidate peace among member states. Why did the founding fathers choose an economic path to this goal? What are the political virtues of the economic integration? And why does it need now to be completed with a Fiscal Union?

Online Course (2 hours each):

1. Presentation and introduction to the class: Objectives and Method
2. Why a European Union?
3. The Political Virtues of Economic Integration (I) – Economy and Politics
4. The Political Virtues of Economic Integration (II) – Economy, War and Peace
5. The Theoretical Justifications of Economic Integration (I) – Classical Theories of International Trade
6. The Theoretical Justifications of Economic Integration (II) – Contemporary Theories of International Trade
7. The Economic Foundations of the Monetary Union and its Flaws (I) – The Theory of Optimal Monetary Zones

8. The Economic Foundations of the Monetary Union and its Flaws (II) – Does one size fit for all?
9. Toward a Fiscal Union? What foundations?
10. The need for a Consolidated Economic Government

Grading scheme

Attendance to the class and participation + an oral presentation on a topic.

Main references

Baimbridge, M., Whyman, P. (Eds), 2003, *Fiscal Federalism and European Economic Integration*, London & NY, Routledge

Baldwin, R. & Wyplosz, C., 2006, *The Economics of European Integration*, 2nd ed., New York, McGraw-Hill

Grauwe, P. de, 2007, *Economics of Monetary Union*, 7th ed., Oxford, Oxford UP

Keynes, J.-M., 2016, *The Economic Consequences of the Peace*, Skyhorse

Krugman, P. & Obstfeld, M., Melitz M., 2018, *International Economics. Theory and Policy*, 11th. ed., Pearson

Polanyi, K., 2001, *The Great Transformation. The Political and Economic Origins of Our Times*, Beacon Press

Swann, D., 1996, *European Economic Integration: The Common Market, European Union and beyond*, London, Edward Elgar Pub.