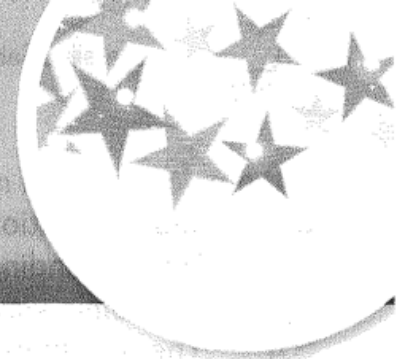




Brief Table of Contents

About the Authors	xiii
Preface	xiv
Acknowledgements	xviii
Guided Tour	xix
Online Learning Centre	xxi
Study Skills	xxiii
Part I	
History, Facts and Institutions	1
1 History	3
2 Facts, law, institutions and the budget	39
3 Decision making	71
Part II	
The Microeconomics of European Integration	95
4 Essential microeconomic tools and tariff analysis	97
5 The essential economics of preferential liberalization	119
6 Market size and scale effects	143
7 Growth effects and factor market integration	159
8 Economic integration, labour markets and migration	177
Part III	
EU Micro Policies	203
9 The common agricultural policy	205
10 Location effects, economic geography and regional policy	231
11 EU competition and state aid policy	255
12 EU trade policy	275
Part IV	
The Macroeconomics of Monetary Integration	287
13 Essential macroeconomic tools	289
14 The history of European monetary integration	323
15 Optimum currency areas	347
Part V	
EU Monetary and Fiscal Policies	379
16 The European monetary union	381
17 Fiscal policy and the Stability Pact	413
18 The financial markets and the euro	443
19 The Eurozone in crisis	475
Index	511



Detailed Table of Contents

About the Authors	xiii
Preface	xiv
Acknowledgements	xviii
Guided Tour	xix
Online Learning Centre	xxi
Study Skills	xxiii
Part I History, Facts and Institutions	1
Chapter 1 History	3
1.1 Early post-war period	4
1.2 Two strands of European integration: federalism and intergovernmentalism	9
1.3 Evolution to two concentric circles: the domino effect part I	15
1.4 Euro-pessimism	17
1.5 Deeper circles and the domino effect part II: the Single Market Programme and the EEA	18
1.6 Communism's creeping failure and spectacular collapse	21
1.7 Reuniting East and West Europe	23
1.8 Preparing for eastern enlargement: a string of new treaties	23
1.9 Global and Eurozone crises and institutional responses	26
1.10 The rise of Euroscepticism	29
1.11 Summary	35
Self-assessment questions	36
References and further reading	37
Chapter 2 Facts, law, institutions and the budget	39
2.1 Economic integration in the EU	40
2.2 EU structure pre- and post-Lisbon	46
2.3 EU law	49
2.4 The 'Big-5' institutions	52
2.5 Legislative processes	58
2.6 Some important facts	61
2.7 The budget	63
2.8 Summary	67
Self-assessment questions	68
References and further reading	69

Chapter 3 Decision making	71
3.1 Task allocation and subsidiarity: EU practice and principles	72
3.2 Understanding the task allocation: the theory of fiscal federalism	75
3.3 Economic view of decision making	82
3.4 The distribution of power among EU members	86
3.5 Legitimacy in EU decision making	90
3.6 Summary	90
Self-assessment questions	91
References and further reading	92
Part II The Microeconomics of European Integration	95
Chapter 4 Essential microeconomic tools and tariff analysis	97
4.1 Preliminaries I: supply and demand diagrams	98
4.2 Preliminaries II: introduction to open-economy supply and demand analysis	101
4.3 MFN tariff analysis	105
4.4 GVC analysis	109
4.5 Types of protection: an economic classification	110
4.6 Sources of competitiveness differences	113
4.7 Summary	116
Self-assessment questions	116
References and further reading	117
Chapter 5 The essential economics of preferential liberalization	119
5.1 Analysis of unilateral discriminatory liberalization	120
5.2 Analysis of a customs union	127
5.3 Frictional barriers: the 1992 Programme	131
5.4 Deep regionalism, the Eurozone and 'soft preferences'	133
5.5 WTO rules	134
5.6 Summary	135
Self-assessment questions	135
References and further reading	136
Annex: Discriminatory liberalization: small country case	139
A5.1 Price and quantity analysis, liberalization with low-cost country	140
A5.2 Welfare analysis: liberalization with low-cost country	140
A5.3 Liberalization with high-cost country: supply switching	141
A5.4 Welfare analysis: liberalization with high-cost country	141
Chapter 6 Market size and scale effects	143
6.1 Liberalization, defragmentation and industrial restructuring: logic and facts	144
6.2 The <i>BE-COMP</i> diagram in a closed economy	146
6.3 The impact of European liberalization	149
6.4 Summary	152
Self-assessment questions	152
Essay questions	153
References and further reading	153

Annex: Details on the <i>COMP</i> and <i>BE</i> curves	155
A6.1 <i>COMP</i> curve in detail	155
A6.2 <i>BE</i> curve in detail	157
Chapter 7 Growth effects and factor market integration	159
7.1 The logic of growth and the facts	160
7.2 Medium-term growth effects: induced capital formation	164
7.3 Long-term growth effects: faster knowledge creation and absorption	173
7.4 Summary	174
Self-assessment questions	175
Essay questions	175
References and further reading	175
Chapter 8 Economic integration, labour markets and migration	177
8.1 European labour markets: a brief characterization	178
8.2 Labour markets: the principles	181
8.3 Effects of trade integration	187
8.4 Migration	190
8.5 Summary	199
Self-assessment questions	200
Essay questions	201
References and further reading	201
Part III EU Micro Policies	203
Chapter 9 The common agricultural policy	205
9.1 The old simple logic: price supports	207
9.2 Changed circumstances and CAP problems	212
9.3 The simple economic logic of the new CAP	219
9.4 CAP reform	222
9.5 Today's CAP	224
9.6 Remaining problems	226
9.7 Summary	227
Self-assessment questions	228
References and further reading	229
Chapter 10 Location effects, economic geography and regional policy	231
10.1 Europe's economic geography: the facts	232
10.2 Theory part I: comparative advantage	237
10.3 Theory part II: agglomeration and the new economic geography	239
10.4 Theory part III: putting it all together	247
10.5 EU regional policy	249
10.6 Empirical evidence	252
10.7 Summary	253
Self-assessment questions	253
References and further reading	253

Chapter 11 EU competition and state aid policy	255
11.1 The economics of anti-competitive behaviour and state aid	256
11.2 EU competition policy	269
11.3 Summary	273
Self-assessment questions	274
References and further reading	274
Chapter 12 EU trade policy	275
12.1 Pattern of trade and tariffs: facts	276
12.2 EU institutions for trade policy	280
12.3 EU trade policy: broad goals and means	283
12.4 EU trade policy: existing arrangements	283
12.5 Summary	284
Self-assessment questions	285
References and further reading	285
Part IV The Macroeconomics of Monetary Integration	287
Chapter 13 Essential macroeconomic tools	289
13.1 The closed economy: a refresher	290
13.2 The open economy	296
13.3 The impossible trinity principle	301
13.4 The real exchange rate and the purchasing power parity principle	307
13.5 Applications: macroeconomic policies and the exchange rate	311
13.6 Summary	316
Self-assessment questions	317
Essay questions	318
References and further reading	318
Annex: Various exchange rate regimes	320
Chapter 14 The history of European monetary integration	323
14.1 Back to the future: before paper money	324
14.2 Bretton Woods as an antidote to the inter-war debacle	331
14.3 After Bretton Woods: Europe's snake in the tunnel	332
14.4 The European monetary system	334
14.5 The Maastricht Treaty	339
14.6 The crisis	341
14.7 Summary	341
Self-assessment questions	342
Essay questions	342
References and further reading	343
Annex: Hume's mechanism	344
Chapter 15 Optimum currency areas	347
15.1 The question, the problem and the short answer	348
15.2 Benefits of a currency area	350



15.3	Costs of a currency area	354
15.4	The optimum currency area criteria	358
15.5	Is Europe an optimum currency area?	364
15.6	Is Europe becoming an optimum currency area?	371
15.7	Summary	373
	Self-assessment questions	375
	Essay questions	375
	References and further reading	376
Part V EU Monetary and Fiscal Policies		379
Chapter 16 The European monetary union		381
16.1	Principles	382
16.2	The five entry conditions	383
16.3	The Eurosystem	388
16.4	The monetary policy strategy	392
16.5	Independence and accountability	396
16.6	Instruments	399
16.7	The first years, until the Great Crisis	401
16.8	Summary	408
	Self-assessment questions	410
	Essay questions	410
	References and further reading	411
Chapter 17 Fiscal policy and the Stability Pact		413
17.1	Fiscal policy in the monetary union	414
17.2	Fiscal policy externalities	418
17.3	Principles	421
17.4	The stability and growth pact	427
17.5	The macroeconomic imbalance procedure	438
17.6	Summary	439
	Self-assessment questions	440
	Essay questions	440
	References and further reading	440
Chapter 18 The financial markets and the euro		443
18.1	Essentials of financial markets	444
18.2	Effects of a monetary union	450
18.3	Fragmentation during the crisis	457
18.4	The Eurozone and its banks	460
18.5	The international role of the euro	468
18.6	Summary	472
	Self-assessment questions	473
	Essay questions	473
	References and further reading	473

Chapter 19 The Eurozone in crisis	475
19.1 Stage one: the global financial crisis	476
19.2 Stage two: the public debt crisis in the Eurozone	480
19.3 Policy responses	490
19.4 Banks and public debt	497
19.5 What have we learned from the crisis?	501
19.6 Summary	507
Self-assessment questions	508
Essay questions	508
References and further reading	508
Index	511