

William & Mary
Department of Economics
Economics of European Integration (ECON 300-02)

Instructor: Enrique Valdes

Spring, 2024

E-mail: evaldes@wm.edu, please use Blackboard "course messages"
for anything concerning the course

Website: enriquevaldes.com

Class Hours: M, W 3:30 PM - 4:50 PM

Class Room: Chancellors Hall Room 133

Office: Chancellors Hall Room 425

Office Hours: M, W, F 9:00-10:30 AM; M, W 1:00-1:50 pm; or by appointment

Course Description and Purpose

Economic and institutional aspects of European integration have undergone significant changes post World War II, e.g., the formation of a single market, the creation of the Euro, the expansion of the European Union (EU), and Brexit. The course examines the microeconomic and macroeconomic policies pertinent to European integration. Students will be introduced to the fundamental methods required to conduct an economic analysis of these policies. Additionally, the course briefly covers essential aspects of European history, institutions, and politics to give students a more comprehensive understanding of European economic integration. By the end of the course, students will have gained insights into the current economic issues related to European economic integration. The course will introduce some tools from international trade and open macroeconomics/international finance to help students understand the microeconomics and macroeconomics of European integration better.

Learning Outcomes and Objectives

Upon successful completion of the course, the student should be able to do the following:

- Describe the post-Second World War historical development of European integration.
- Describe the EU's legal system, vital EU institutions, and legislative processes

- Analyze the effects of tariff protection using basic supply and demand in an open economy.
- Analyze the effects of European preferential trade liberalization, specifically focusing on customs unions and free trade areas.
- Explain how market-expanding aspects of European integration affect the efficiency of European firms.
- Describe the economic logic linking European integration to medium-run and long-run growth effects.
- Explain the linkages between employment and European integration
- Discuss the economic effects of the Common Agricultural Policy (CAP), specifically the impacts of recent reforms
- Discuss how the location of economic activity has shifted both within and between nations as a result of European integration.
- Explain the economic logic of anti-competitive practices
- Analyze monetary and fiscal policies using an IS-MP-IRP model(Mudell-Fleming model).
- Describe interest rate parity, purchasing power parity, and the impossible trinity.
- Discuss the costs and benefits of sharing a common currency
- Describe the main features of the European Monetary Union
- Describe the limitations that Eurozone countries have in implementing fiscal policy
- Discuss how the single currency is reshaping the financial sector
- Describe how the financial crisis, the Eurozone Debt crisis, and the pandemic affected the Eurozone.

Prerequisites

Principles of Microeconomics (ECON 101) and Principles of Macroeconomics (ECON 102)

Required Materials

Required textbook

- The textbook for the course is **The Economics of European Integration. Richard Baldwin and Charles Wyplosz 7th edition.**
- My lectures will follow the material in the textbook.
- A previous edition of the textbook is okay.

Suggested textbook

The following textbooks are only suggestions and are **not** required.

- Any principles of economics textbook may be helpful to refresh on some of the economic concepts.
- Students interested in a deeper understanding of the historical developments of the European Union, I recommend the book *European Integration A Political History 2nd ed.* by Mark Gilbert, but it is not required.
- Students interested in a deeper understanding of some of the models we will present in class should find an international economics textbook, e.g. International Economics Theory and Policy by Krugman, Obstfeld, and Melitz.

Other necessary materials

- Paper and pencil/pen to take notes. You may want to bring different color pens because they will help you draw graphs.

Course Structure

Class Structure

- The class is meeting face-to-face three times a week for 50 minutes per class.

COVID

- W&M students who test positive for COVID-19 need to isolate and not attend in-person classes for at least five days. Unvaccinated or unboosted students also quarantine if they are identified as close contacts. Visit the CDC's [Quarantine & Isolation Guide and Calculator](#) for information
- Helpful resources
 - CDC COVID website <https://www.cdc.gov/coronavirus/2019-nCoV/index.html>
 - [W&M COVID-19 Information](#)

Homework

- All homework will be distributed through Blackboard.
- The problem set will cover the concepts introduced in class during the week.
- Homework will be posted no later than Monday 5pm and you will have until midnight on Monday of the following week to turn in the problem set.
- If a problem set is not turned in by midnight, you will receive a zero for that problem set.

- Together, the problem sets are worth 10% of your final grade, and there will be approximately ten of them.
- I will drop your lowest homework score. If you miss a homework assignment, it will count as your lowest grade and will be dropped.
- I encourage you to work together on these problem sets. However, each student must submit an individual solution to the problem set each week and must indicate the names of the other students with whom they worked on the problem set.
- Please note that it will be difficult to do well on the midterms and the final if you cannot solve the types of problems on the problem set, so make sure that you are an active participant in your problem set group, not a free-rider.
- We will be using Gradescope this term, which allows me to provide fast and accurate feedback on your work. Homework will be submitted through Gradescope (on Blackboard, access the Gradescope link). As soon as grades are posted, you will be notified immediately so you can log in and see your feedback. You may also submit regrade requests if you feel I have made a mistake.

Attendance/in-class assignments

- Your attendance/in-class assignments grade will be based on your attendance and in-class assignments that you will turn in.
- You are able to miss 4 classes without penalty to your grade. After missing 4 classes, each additional absence will lose 1/2 of a percentage point. A student can lose at most 2% points from missing classes.
- I may mark a student absent if excessively tardy or engaged in off-topic activities, e.g., social media, texting, sleeping, etc.
- You can only be excused from class if you have a university-sanctioned schedule conflict. Make sure to let me know at least a week in advance if you have a university-sanctioned schedule conflict.
- You do not need to email me if you miss class. Make sure to meet with your colleagues to get any notes that you may have missed and/or make sure to read over the section we were going over in class.
- The other 2% of the attendance/in-class assignments will come from in-class assignments that will be collected.

Exams

- There are three exams in total. You are required to take all the exams at the scheduled time. All exams are hard-copied exams taken in class.
- All of the exams are cumulative but will focus on the material covered after the previous exam.

- The exams will have different types of questions; for example, short answer questions, definitions, true-false and explain, questions where you have to make calculations and write an interpretation, and questions where you need to draw a graph.
- The first midterm exam is on October 2, 2023.
- The second midterm is on November 13, 2023. Around 25% of the questions will come from the material before the first exam, and the other 75% of the questions will come from material after the first exam.
- The final is cumulative, Around 65% of the questions will come from material covered after the 2nd midterm, another 25% of the questions will come from the material after the first midterm, and 10% will come from the material before the first exam.
- The final exam will last 2.5 hours, and we will start the exam at the beginning of the scheduled time. The exam time and date is set by the college and subject to change by the college. The most updated official date of the exam can be checked [here](#). Any individual request to change a scheduled exam must be approved by the Dean of Undergraduate Studies, click [here](#) for more details.
- **Make-up exams:** Unless you have a university-sanctioned schedule conflict, there will be no make-up exams. If you think you have a university-sanctioned schedule conflict, please notify me at least two weeks before the exam. If you miss a midterm exam, the final exam score will replace the missed exam score. If you miss a second midterm exam due to a **documented emergency** then we will deal with those situations on an individual basis. Any make-up exam will be different than the exam given in class. The level of difficulty will be more or less the same.

Grading Policy

I will keep you posted on your progress in the course by posting your grades on Blackboard. If you have any questions or concerns about your grade, please contact me immediately. You should be proactive about your grade and not wait until the last minute.

Incomplete grade Policy Statement

A student who has not completed all work due to exceptional circumstances may, with the consent of the instructor, temporarily receive a grade of incomplete ("I"). It is the student's responsibility to make arrangements with the instructor to complete the work by a specified date (the first full week of the upcoming semester for deferred examinations). "I" automatically becomes "F" if the work is not completed by the last day of classes of the following regular semester or if the postponed work has not been completed satisfactorily by the date specified by the professor.

Grade Calculation

The grade will be calculated using the following proportions:

- 1% of your grade will be determined by the syllabus quiz on Blackboard

- 4% of your grade will be determined by attendance/in-class assignments
- 50% of your grade will be determined by midterm exams, (i.e. the first two exams, each worth 25% of your grade)
- 35% of your grade will be determined by the final exam
- 10% of your grade will be determined by homework

$$\text{Final Grade} = (\text{Midterm average} * .50) + (\text{Final Exam} * 0.35) + (\text{Homework Average} * 0.10) + (\text{Syllabus quiz} * .01) + (\text{Participation} * .04)$$

Grading Scheme

Letter	Range	Letter	Range	Letter	Range
A	93.00 or above	B-	80.00- 82.99 %	D+	67.00- 69.99 %
A-	90.00-92.99 %	C+	77.00- 79.99 %	D	63.00- 66.99 %
B+	87.00-89.99 %	C	73.00- 76.99 %	D-	60 -62.99
B	83.00- 86.99%	C-	70.00- 72.99 %	F	59.99 or less

I reserve the right to curve the scale dependent on overall class scores at the end of the semester. Any curve will only make obtaining a higher letter grade easier.

Weekly schedule

The schedule is tentative and subject to change. If time permits, we will try to cover Ch.17 "The financial markets and the euro" and Ch. 18 "The three crisis of the Eurozone".

Week	Date	Section
1	January 24, 2024	Introduction to Course/ History(Ch. 1)
2	January 29, 2024 January 31, 2024	History(Ch. 1)/Facts, law institutions and the budget (Ch. 2) Essential microeconomic tools and tariff analysis (Ch. 4)
3	February 5, 2024 February 7, 2024	Essential microeconomic tools and tariff analysis (Ch. 4) The essential economics of preferential liberalization (Ch. 5)
4	February 12, 2024 February 14, 2024	The essential economics of preferential liberalization (Ch. 5) Market size and scale effects (Ch. 6)
5	February 19, 2024 February 21, 2024	Growth effects and factor market integration (Ch. 7) Growth effects and factor market integration (Ch. 7)
6	February 26, 2024 February 28, 2024	Exam #1 Economic integration, labour markets and migration (Ch. 8)
7	March 4, 2024 March 6, 2024	Economic integration, labour markets and migration (Ch. 8) The Common Agricultural Policy (Ch. 9)
8	March 11, 2024 March 13, 2024	No Class (Spring Break) No Class (Spring Break)
9	March 18, 2024 March 20, 2024	The Common Agricultural Policy (Ch. 9) Location effects, economic geography and regional policy (Ch. 10)
10	March 25, 2024 March 27, 2024	Location effects, economic geography and regional policy (Ch. 10) EU competition and state aid policy (Ch.11)
11	April 1, 2024 April 3, 2024	EU competition and state aid policy (Ch.11) Exam #2
12	April 8, 2024 April 10, 2024	Essential macroeconomic tools (Ch. 13) Essential macroeconomic tools (Ch. 13)
13	April 15, 2024 April 17, 2024	Optimum currency areas (Ch. 14) Optimum currency areas (Ch. 14)
14	April 22, 2024 April 24, 2024	The Monetary Union: principles and practice (Ch. 15) The Monetary Union: principles and practice (Ch. 15)
15	April 29, 2024 May 1, 2024	Fiscal policy and the Stability Pact (Ch.16) Fiscal policy and the Stability Pact (Ch.16)
16-17	May 6-14, 2024 May 13-14, 2024 May 13, 2024	Exam period Exam period Final Exam 9:00 am- 11:30 am

Key Dates

Classes start	Wednesday, January 24, 2024
Last day to add/drop	Friday, February 2, 2024
Spring Break (No Classes)	Saturday-Sunday, March 9-March 17, 2024
Last day to withdraw from a full-term course	Monday, March 25, 2024
Last day of classes	Friday, May 3, 2024
Final exam periods	May 6-10 and May 13-14
Final exam	Monday, May 13, 2024

Course Policies

Attendance Policy

- Class attendance is **required** for all scheduled class lectures. Invariably, students who miss classes fall to the bottom of the grading ladder. Reading the textbook is a complement to the lectures, not a perfect substitute for missing classroom lectures. The lectures may deviate from the textbook, and you can only be aware of the appropriate material if you attend the class. Some material in the textbook may be skipped in the lectures, while other material may be studied in more detail than is presented in the textbook. I will give examples, make clarifications, answer questions, and offer interpretations that may not be found in the textbook.

Policies on Late Assignments

Late assignments will not be accepted, and under no circumstances will make-up homework be allowed. A student who fails to complete the homework before the due date will receive a grade of "0" for the respective assignment or quiz. Deadlines are strictly enforced and are detailed on Blackboard. Please be mindful of these dates, as they will not change.

I must be as fair as possible to everyone in this course. For that reason, I cannot accept late work. It would not be fair if some students were given extensions while others were not. Moreover, deciding who merits an extension would be an arbitrary process. There is no way of me knowing who is being honest with me and who is just trying to get an extension because they forgot to do their work. That being said, to avoid all of these issues, I have designed the course to take into account the fact that life happens, and for whatever reason, you may miss an assignment or you have some issue where you do poorly on an assignment or test.

Here are the two main features of the course that are designed to help you just in case you miss assignments or do poorly on an exam

- Your lowest homework score will be dropped. If you do miss a homework assignment, it will not hurt your grade. However, if you miss more than one homework assignment, your homework grade will suffer.
- As mentioned above, if you do better on the final exam than on one of the midterm exams, the final exam score will replace the lowest exam score. Therefore, if you miss an exam, the final will replace the missed exam grade.

Extra credit policy

- **Extra credit assignments** will not be given on an individual basis, **so do not ask**. If and when extra credit is given the entire class will have the opportunity to get it. Usually, extra credit opportunities are available during the class. If you do not attend class then you may miss the extra credit opportunity.

Technology policy

- I have a no laptop or cell phone policy. I find that although there are merits to taking notes on these devices, they can cause a distraction. Sometimes, it even distracts those around

you, which in economics is what we call a "negative externality" (You should have learned about this in your microeconomics course). Additionally, because my goal is to promote long-term retention of this material, this is best done by taking notes with a paper and pencil. Do not take my word for it; look at the research below.

- [Attention, Students: Put Your Laptops Away](#), NPR Article.
 - Mueller, P. A., & Oppenheimer, D. M. (2014). [The pen is mightier than the keyboard: Advantages of longhand over laptop note taking](#). *Psychological science*, 25(6), 1159-1168.
- I will allow students to use a tablet with a stylus to take notes. However, please make sure to sit in the front row during class. If students are seen using the tablet for non-academic purposes during the class, they will be asked to take notes with paper and pencil.

Email policy

Send all emails concerning anything going on in the course via Blackboard. Just click on the course messages link and email me. Please use common courtesy when sending e-mails. Please allow 48 business hours for a response. E-mails will be checked periodically Monday-Friday from 9:00 AM – 5:00 PM. E-mails will not be checked on the weekends.

Classroom etiquette

- Arrive on time.
- No food or beverages except for water.
- Please silence cell phones during class.
- Please do not wear headphones during the lecture. If you have a legitimate reason you need to wear headphones please let me know.
- If you need to use your cell phone for any non-academic purposes during class (i.e. social media, texting, checking voicemails, phone calls, etc.) please step outside of the classroom to do so.
- Please be respectful during the lecture. Do not make it difficult for those around you to learn by having sidebar conversations.

Academic Integrity and Honesty

Students are required to comply with the William & Mary College policy on academic integrity found in the [The Honor Code](#). Cheating in exams, homework or any other assignment will not be tolerated. Students found cheating on an exam will be given a score of "0" and will not be replaced with the final exam grade. In addition, they will be reported to the relevant authorities of the university.

The pledge: "As a member of the William & Mary community, I pledge on my honor not to lie, cheat, or steal, either in my academic or personal life. I understand that such acts violate the Honor Code and undermine the community of trust, of which we are all stewards."

A note on AI-generated content

All work submitted in this course, whether in draft or final form, must be your own and must be cited appropriately. If you do use a natural language processing bots such as ChatGPT, please limit your use to gathering information and not completing your assignments. Additionally, any content you gather must be cited and you must fact-check all material because AI-generated content often contains falsehoods and **fictional sources**. Submitted work may be reviewed, as needed, for AI-generated content. Moreover, any improper use of AI-generated content will be considered plagiarism, e.g., submitting an assignment generated from a natural language processing bot as your own.

This course is accessible to students with disabilities

William & Mary accommodates students with disabilities following federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see [Student Accessibility Services](#).

- Students who are taking the exam at the testing center should schedule to take the exam during our class time. If you cannot, please email me a week in advance to find an alternative time.

Mental and Physical Well-Being

William & Mary recognizes that students juggle different responsibilities and can face challenges that make learning difficult. There are many resources available at W&M to help students navigate emotional/psychological, physical/medical, material/accessibility concerns, including:

- The W&M Counseling Center at (757) 221-3620. Services are free and confidential.
- The W&M Health Center at (757) 221-4386
- For additional support or resources & questions, contact the Dean of Students at 757-221-2510.



- For a list of other [resources](#) available to students, see:

Acknowledgement of Indigenous Peoples as the Historical Custodians of the Land at William & Mary

Like peer institutions around the country, William & Mary seeks formally to acknowledge the original Indigenous inhabitants of the state-owned land on which the Williamsburg campus resides, and has partnered with their present-day descendants to create appropriate language.

After consultation and input from VA Tribal leaders in August 2020, President Rowe approved the following statement:

William & Mary acknowledges the Indigenous peoples who are the original inhabitants of the lands our campus is on today – the Cheroenhaka (Nottoway), Chickahominy, Eastern Chickahominy, Mattaponi, Monacan, Nansemond, Nottoway, Pamunkey, Patawomeck, Upper Mattaponi, and Rappahannock tribes – and pay our respect to their tribal members past and present.

For more information, please see <https://www.wm.edu/as/anthropology/research/centers/airc/land-acknowledgement/index.php>.

This Course was Designed with You in Mind

Main additional resources that will help you pass the course

- Office hours. Office hours are for you to come and ask questions about anything you are unclear about. Please come by during the specified times, you do not need to make an appointment.
- [Here are some Hidden Rules for Office hours](#) developed by Josh Burk, Cheryl Dickter, Karin Wulf and Janice Zeman during a University Teaching Project in 2012-13.

Tips to being successful in this course

- Reading the chapter or reviewing it before class is necessary to understand the material.
- Take notes in class. Note-taking helps you process, organize, and retain information
- Vary the type of material studied in a single session. Improve your comprehension of challenging material by seeing it applied and presented in multiple ways.
- Ask questions, either during class or during office hours. If you do not seek my help it is difficult for me to help you.
- Make sure to complete the homework. It is the best practice for the exams.
- Space study time. Improve your comprehension of material by letting it sink in between multiple encounters with it.
- Practice drawing diagrams and writing equations. Don't just memorize images. Practice drawing them on your own while reading the textbook. Use diagrams and equations to think through new problems.
- Practice explaining economic concepts and logic. Talk about what you are learning to classmates, roommates, and family.
- The exams will challenge you to think critically, so make sure to be prepared. An effective study strategy is to practice "recall", i.e., answering questions and checking if you got the question correct after you answered it. This can be done with flashcards or practice exams.
- Here is a great blog post from Eric Barker on how to become an expert. It provides great study tips. <https://bakadesuyo.com/2023/06/become-an-expert/>

Some of the above tips were adapted from Bayer, Amanda, 2021. Diversifying Economic Quality. American Economic Association Committee on the Status of Minority Groups in the Economics Profession. <http://diversifyingecon.org>

This class's community is inclusive

Students in this class represent a wide variety of backgrounds and perspectives. I am committed to providing an atmosphere for learning in our course that respects diversity and creates inclusive environments. While working together to build this community, I ask you to:

- Understand that we are bound to make mistakes in this space, as anyone does when approaching complex tasks or learning new skills. Strive to see your mistakes and others as valuable elements of the learning process.
- Understand that your words have effects on others. Speak with care. If you learn that something you've said was experienced as disrespectful or marginalizing, listen carefully and try to understand that perspective. Learn how you can do better in the future.
- Take pair work or small group work seriously. Remember that your peers' learning is partly dependent upon your engagement.
- Understand that others will come to these discussions with different experiences from yours. Be careful about assumptions and generalizations you make based only on your own experience. Be open to hearing and learning from other perspectives.
- I welcome any feedback on how I could make the course more diverse and inclusive. Please reach out to me with your suggestions.

We use each other's preferred names and pronouns

Please let me know of your preferred or adopted name and gender pronoun(s), and I will make those changes to my records and address you that way in all cases.

I personally prefer to be called Enrique. If you want to refer to me as Professor Valdes, that is fine too.

Interested in a career in economics or in grad school?

It is never too early to start thinking about what to do after college. An undergraduate degree in economics offers many opportunities. Below are a few websites from the American Economic Association that provide great information about careers and graduate school.

- [American Economic Association student resources](#)
- [American Economic Association careers website](#)
- [American Economic Association graduate school information](#)

Interested in majoring or minoring in economics?

You may be interested in taking more courses in economics or even minoring or majoring in economics. Visit the department websites below for more information.

- [William & Mary undergraduate economics website](#)
- [William & Mary minor in economics](#)

Resources that you may find useful or that you will better understand as a result of this course

- You can get complete access to online content of major news publications provided by W&M Libraries ([Chronicle of Higher Education](#), [The Economist](#), [New York Times](#), [Wall Street Journal](#), [Washington Post](#)).
- [Trade talks podcast](#)
- [The ECB Podcast](#)

Please note: The syllabus is tentative and subject to change at the professor's discretion