

William & Mary  
Department of Economics  
Economics of European Integration (ECON 300-01)

Instructor: Enrique Valdes

Fall, 2023

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

Website: [enriquevaldes.com](http://enriquevaldes.com)

Class Hours: M, W, F 1:00 PM - 1:50 PM

Class Room: Chancellors Hall Room 133

Office: Chancellors Hall Room 425

Office Hours: M, W 3:30-5:00 PM or by appointment

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## 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 needed to conduct an economic analysis of such policies. Moreover, to give students a more comprehensive understanding of European economic integration, the course briefly covers essential aspects of European history, institutions, and politics. By the end of the course, students will have more insight into the current economic issues surrounding European economic integration. Essentially students will be introduced to some of the tools from international trade and open macroeconomics/international finance to help them understand both the microeconomics and macroeconomics of European integration.

## 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.
- Explain key facts concerning European economics

- 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 a Mundell-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.

- Textbook readings will be supplemented with additional readings which will be posted on the course Blackboard website.

### Suggested textbooks

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.

## 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 grades, and do 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 (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:

- **50%** of your grade will be determined by midterm exams, (i.e. the first two exams, each worth 25% of your grade)
- **40%** of your grade will be determined by the final exam
- **10%** of your grade will be determined by homework

$$\text{Final Grade} = (\text{Midterm average} * .50) + (\text{Final Exam} * 0.40) + (\text{Homework Average} * 0.10) +$$

### 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.

Week	Date	Section
1	August 30, 2023 September 1, 2023	Introduction to Course/ History(Ch. 1) History(Ch. 1)
2	September 4, 2023 September 6, 2023 September 8, 2023	No class (Labor day) Facts, law institutions and the budget (Ch. 2) Essential microeconomic tools and tariff analysis (Ch. 4)
3	September 11, 2023 September 13, 2023 September 15, 2023	Essential microeconomic tools and tariff analysis (Ch. 4) Essential microeconomic tools and tariff analysis (Ch. 4) The essential economics of preferential liberalization (Ch. 5)
4	September 18, 2023 September 20, 2023 September 22, 2023	The essential economics of preferential liberalization (Ch. 5) The essential economics of preferential liberalization (Ch. 5) Market size and scale effects (Ch. 6)
5	September 25, 2023 September 27, 2023 September 29, 2023	Market size and scale effects (Ch. 6) Growth effects and factor market integration (Ch. 7) Growth effects and factor market integration (Ch. 7)
6	October 2, 2023 October 4, 2023 October 6, 2023	<b>Exam #1</b> Economic integration, labour markets and migration (Ch. 8) Economic integration, labour markets and migration (Ch. 8)
7	October 9, 2023 October 11, 2023 October 13, 2023	The Common Agricultural Policy (Ch. 9) The Common Agricultural Policy (Ch. 9) No class (Fall break)
8	October 16, 2023 October 18, 2023 October 20, 2023	Location effects, economic geography and regional policy (Ch. 10) Location effects, economic geography and regional policy (Ch. 10) Location effects, economic geography and regional policy (Ch. 10)
9	October 23, 2023 October 25, 2023 October 27, 2023	EU competition and state aid policy (Ch.11) EU competition and state aid policy (Ch.11) Essential macroeconomic tools (Ch. 13)
10	October 30, 2023 November 1, 2023 November 3, 2023	Essential macroeconomic tools (Ch. 13) Essential macroeconomic tools (Ch. 13) Optimum currency areas (Ch. 14)
11	November 6, 2023 November 8, 2023 November 10, 2023	Optimum currency areas (Ch. 14) The Monetary Union: principles and practice (Ch. 15) The Monetary Union: principles and practice (Ch. 15)
12	November 13, 2023 November 15, 2023 November 17, 2023	<b>Exam #2</b> Fiscal policy and the Stability Pact (Ch.16) Fiscal policy and the Stability Pact (Ch.16)
13	November 20, 2023 November 22, 2023 November 24, 2023	Fiscal policy and the Stability Pact (Ch.16) <b>Remote class</b> No class (Thanksgiving) No class (Thanksgiving)
14	November 27, 2023 November 29, 2023 December 1, 2023	The financial markets and the euro (Ch.17) The financial markets and the euro (Ch.17) The financial markets and the euro (Ch.17)
15	December 4, 2023 December 6, 2023 December 8, 2023	The three crisis of the Eurozone (Ch. 18) The three crisis of the Eurozone (Ch. 18) The three crisis of the Eurozone (Ch. 18)
16	December 11, 2023 December 13, 2023 December 15, 2023	No class No class No class
17	December 18, 2023	<b>Final exam (2:00pm-4:30pm)</b>

## Key Dates

Classes start	Monday, August 30, 2023
Labor Day (No Classes)	Monday, September 4, 2023
Last day to add/drop	Monday, September 11, 2023
Fall Break (No Classes)	Thursday-Sunday, October 12-October 15, 2023
Last day to withdraw from a full-term course	Monday, October 30, 2023
Remote classes	Monday-Tuesday Nov. 20 – 21
Thanksgiving Break (no classes)	Wednesday-Sunday, November 22-26
Last day of classes	Friday, December 8, 2023
Final exam periods	December 11-15 and December 18-19
Final exam	Friday, December 15, 2023

## 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 are given extensions while others are 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. That being said 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 count twice and 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 even distracting 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 through taking notes with 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 towards 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**

In this course, it is important that you attempt to do your homework assignments to be better prepared for the exams in the course. Therefore, the use or incorporation of any AI-generated content (from ChatGPT, Dall-e, etc.) in assignments is not allowed. 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](mailto: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, Patowomeck, 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.

#### **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 that respects diversity and creates inclusive environments in our course. 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 preferred to be called Enrique. If you want to refer to me as professor Valdes that is fine too.

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### **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 be 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](#)).

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