

FU/BEST Program

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Course title: Europe in the Global Economy

Course number: FU-BEST 24

Language of instruction: English

Contact hours: 45

ECTS-Credits: 5 **U.S. semester credits:** 3

Course description

The European Communities were conceived as a union of democratic nations shaping the economic and social model of the world. Is the permanent enlargement process that made the EU big paying off? In a changing global economy, what is Europe's comparative advantage?

"One market – one money" was what Europeans believed in. In a crisis not coming to an end the common currency is seen more and more as liability. Is an ill-designed Euro going to blow up the Eurozone?

With authoritarian Russia as major energy partner EU energy independence is high on the agenda. Would a shift towards increased use of renewable sources of energy secure Europe's energy supply? Moreover, how is the EU handling global warming and climate change?

Lastly, a look at Europe's social model shall tell how free markets and social responsibility are combined for more inclusion and less income disparities within member states.

Student profile

Second-semester sophomore or above

Prerequisites

None

Course Requirements

Midterm exam: 25%

Term-Paper: 25%

Final exam: 30%

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Attendance and participation: 20% (Independent Project Report included)

Literature:

Richard Baldwin and Charles Wyplosz, The Economics of European Integration, McGraw-Hill Higher Education, 5th edition, 2015

Photocopied course reader

Course schedule

Sessions	Topics, Readings, etc.
Session 1	<p>Topic: Introduction to the course, getting-to-know each other, Q&A. Lecture part one: “Overview of the EU28/27; Part two: EU in the making: Emergence, Treaties, Institutions” – delivered by instructor and discussion.</p> <p>Reading: Richard Baldwin and Charles Wyplosz, Chapters 1.1 through 1.5; 2.1; 2.4</p>
Session 2	<p>Topic: The EU as a major political and economic power Part one: Long-term European and international economic trends Part two: The Budget of the European Union</p> <p>Reading:</p> <ol style="list-style-type: none"> 1. Key Facts and Figures about Europe, in Reader; 2. Richard Baldwin & Charles Wyplosz, Chapter 2.7.
Session 3	<p>Topic: EU in the World Part one: Europe coping with globalization. Winners and losers Part two: Europe’s common agricultural policy. The global impact of EU CAP</p> <p>Reading: 1. Monopolistic Competition and Trade, in: What is International Economics about? pp. 125-130, <u>in Reader</u>; 2. Richard Baldwin & Charles Wyplosz, Chapter 9; 3. Credit Suisse, Is globalization coming to an end? New research signals a possible shift away from globalization to a multi-polar world, <u>in Reader</u></p>
Session 4	<p>Topic: The global limits of enlargement of the EU (Part 1 – 3) Can the EU expand indefinitely? Driving economic forces and economic limits of expansion. Modeling the optimal size of the EU. Europe in a world of hierarchical central places. Interaction with other players of the same order</p> <p>Reading: 1. Richard Baldwin & Charles Wyplosz, Chapter 7.2.</p>

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	<p>2. On the domestic limits of EU extension: Overview of Johann-Heinrich von Thünen's "Balancing Land-Use. Allocation with Transport Cost", <u>in Reader</u>.</p>
Session 5	<p>Topic: The global limits of enlargement of the EU (Part 4)</p> <p>Brainstorming: Economic and political benefits and costs of Turkey joining the EU</p> <p>Reading: On the global limits of the EU's enlargement: Overview of Walter Christaller's "Central Places Theory", <u>in Reader</u></p>
Session 6	Midterm Exam
Session 7	<p>Topic: EU as a global trading partner</p> <p>Patterns of specialization, international division of labor, and Europe's comparative advantage. How does a capital-abundant EU interact with other parts of the world? Does trade liberalization increase the level of welfare in EU? Are high labor costs detrimental to the global competitiveness of Europe?</p> <p>Exercise: Will China outcompete the EU entirely?</p> <p>Reading:</p> <ol style="list-style-type: none"> 1. Richard Baldwin & Charles Wyplosz, Chapter 12.1; 2. Labor Productivity and Comparative Advantage: The Ricardian Model, <u>in Reader</u>, pp. 24-39; 3. What is International Economics about? <u>In Reader</u> 4. Resources and Trade: The Heckscher-Ohlin model, <u>in Reader</u>, pp. 80-97
Session 8	<p>Topic: The common European currency in the world</p> <p>Inception of EMU – external and domestic motives. EMU falling short of being an Optimum Currency Area: inflexible labor market (elasticity of wages, cross-border movement of labor); lack of fiscal federalism, limited EU budget; other reasons.</p> <p>Reading: 1. Richard Baldwin & Charles Wyplosz, Chapter 13.3 2. Richard Baldwin & Charles Wyplosz, Chapters 15.2, 15.3, 15.4; 15.6; 15.8 3. Richard Baldwin & Charles Wyplosz, Chapters 16.2; 18.6 Optional: Richard Baldwin & Charles Wyplosz, Chapter 18.5</p>
Session 9	<p>Topic: The exchange rate of the €</p> <p>Relative prices in the Eurozone and the demand for €. Interest rate and exchange rate. The euro exchange rate in the short run: appreciation/depreciation of the euro. The euro exchange rate in the</p>

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	<p>long run: purchasing power parity EU – rest of the world; how does the law of one price fit in; nominal and real exchange rate of the euro – what evidence?</p> <p>Exercise: <i>Poland's and Denmark's Fiscal and Monetary Policy</i></p> <p>Reading: 1. Richard Baldwin & Charles Wyplosz, Chapters 13.2.1; 13.2.2; 13.5.1; 13.5.2; 13.6 Beyond PPP: A General Model of Long-Run Exchange Rates, p. 401-407, <u>in Reader</u> Aggregate Demand in an Open Economy, p.312-326, <u>in Reader</u>.</p>
<p>Session 10</p>	<p>Topic: Euro area crisis: repercussions and crisis management The Euro zone suffered a severe crisis. What were the reasons? Currency unions' requirements – theory and policy.</p> <p>Brainstorming: <i>How to overcome Greece's crisis? (Rebalancing within a currency union)</i></p> <p>Reading: 1. Richard Baldwin & Charles Wyplosz, Chapters 19.2; 19.3; 19.6. 2. Ognian Hishow, EMU crisis: switching from austerity to lavish spending? <u>In Reader</u></p> <p><i>Aficionado's wisdom (optional):</i> How to reduce public debt? - Ognian Hishow, Curing Europe's addiction to borrowing: Germany's debt brake as a panacea? <u>In Reader</u></p>
<p>Session 11</p>	<p>Topic: EU and the energy, and climate, challenge Energy partners and geopolitics of fuel supply. The EU as a front-runner for renewables. Wind and solar energy, and bio-fuel. Can the EU turn the world green?</p> <p>Exercise: <i>The EU Emissions Trading System</i></p> <p>Reading: 1. EU Energy, <u>in Reader</u>. 2. The EU ETS, <u>in Reader</u>. 3. How does the ETS work? <u>In Reader</u>. 4. Climate: Paper assessing the two-degree target: The End of Climate Policy, by Oliver Geden, <u>in Reader</u>. 5. Recommended: Homepage of EU COM/DG Energy and Transport: http://ec.europa.eu/energy/index_en.htm , and homepage of DG Climate Action: http://ec.europa.eu/dgs/clima/mission/index_en.htm</p>
<p>Session 12</p>	<p>Topic: The Social Model of the EU Lecture part one: The social model of the EU – world's best</p>

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	<p>performer</p> <p>Why is Europe's income distribution more equal than America's?</p> <p>Lecture part two: The EU social model under pressure – what does globalization change? Income redistribution is brought about by trade and technology. What can we expect in the medium term? Pros and cons of globalization followed by a discussion of ideas</p> <p>Reading: 1. Richard Baldwin & Charles Wyplosz, Chapter 8.1; 8.5. 2. Andre Sapir, Globalisation and the Reform of European Social Models. <u>In Reader</u>; 2. Ognian Hishow, "The Political Economy of Labor-Capital Income Imbalances. European Solutions", <u>in Reader</u>.</p>
Session 13	Final Exam