

**COURSE DATA****Data Subject**

Code	36489
Name	Real and financial economic integration
Cycle	Grade
ECTS Credits	6.0
Academic year	2023 - 2024

Study (s)

Degree	Center	Acad. Period
1316 - Degree in Economics	Faculty of Economics	4 Second term

Subject-matter

Degree	Subject-matter	Character
1316 - Degree in Economics	26 - Economía Internacional y Territorio	Optional

Coordination

Name	Department
MARTINEZ MARTINEZ, ALEJANDRA	132 - Economic Structure

SUMMARY

Real and Finance Economic Integration is an optional semester course taught in the fourth year of the Degree in Economics. The subject uses international trade analysis models to formalize and quantify aspects of economic integration such as preferential liberation, customs, monetary unions and migration and also of disintegration (Brexit, new protectionism).

The subject is divided into two parts: the microeconomics of real economic integration and the macroeconomics of financial economic integration. Both parties use adequate analysis tools to understand the key aspects of economic integration.

Part One: The microeconomics of economic integration

The course begins by introducing basic supply and demand analysis in an open economy and the key economic welfare concepts of consumer and producer surplus, and then uses them to study the simple economics of tariff protection.



An in-depth analysis of preferential trade liberalization is given in the second unit. The focus is on how the formation of a customs union or free trade area affects people, companies and governments inside and outside the integrating nations.

Unit 3 presents a thorough study of how the market-expanding aspects of integration affect the efficiency of firms. The main line of reasoning explains how integration in the presence of scale economies and imperfect competition can produce fewer, bigger and more efficient firms facing more effective competition from each other.

Unit 4 gives a detailed study of the growth effects of economic integration. The emphasis is on the economic logic linking European integration to medium-run and long-run growth effects. Neoclassical and endogenous growth theories are covered to the extent that they help students understand the growth–integration linkages.

Unit 5 deals with the labour markets. It recalls the basics of labour economics in order to explain unemployment and develop the notion that social requirements may have seriously negative effects in terms of jobs, wages and growth. The unit uses these insights to study the effects of integration. It deals with many controversial issues such as social dumping and migration, trying hard to stay above the fray by presenting economic analysis as one logic, but not the only one.

Part II: Basic principles behind macroeconomic and monetary integration

The essential principles needed for the macroeconomic analysis are presented in Unit 6. This unit presents the macroeconomic theories and tools needed to analyse monetary integration. It is organized around the Mundell–Fleming model and establishes three principles: interest rate parity, purchasing power parity and the impossible trinity that affects the choice of exchange rate regimes.

Unit 7 presents the optimum currency area theory, the framework needed to think about the working of a monetary union. Looking at the costs and benefits resulting from sharing a common currency, the theory is essential to understanding what works and does not work in the Eurozone.

Unit 8 deals with the financial markets. It provides an analysis of financial markets in general. It then explains how and why the financial services industry was transformed by the Single European Act 1986 and by the adoption of a single currency and how it has been fragmented by the crisis. The measures taken to deal with this unexpected development are presented and evaluated, including the creation of the Banking Union.

PREVIOUS KNOWLEDGE



Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

The student must keep in mind what has been learned in the subjects of the International Economics and Economy of the European Union.

1316 - Degree in Economics

- Show critical thinking skills.
- Be able to collect and analyse information.
- Have oral and written communication skills in the native language.
- Have decision-making skills and be able to apply knowledge to practice.
- Be able to work in a team (including interdisciplinary teams).
- Be able to learn autonomously.
- Be able to use ICTs.
- Be able to use English in a professional environment.
- Apply the principles of economic analysis (rational decision) to the diagnosis and resolution of problems.
- Understand and apply the scientific method, which involves formulating hypotheses, deducing verifiable results and contrasting them with empirical and experimental evidence.
- Be able to prepare and defend an economic report.
- Understand the functioning of the economy at the aggregate level and the effect of different economic policies.
- Know and understand the determinants of the long-term sustainable growth of an economy.
- Understand the possible causes of economic cycles and the effects of stabilisation policies.
- Know and understand the nature of international trade and of the financial framework in which it takes place.
- Know the Spanish, European and international economic environment, the productive sectors and the functioning of institutions.
- Understand the mechanisms that explain the distribution of economic activity in space and regional and urban development processes.



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- Analyze the effects of economic integration using microeconomic tools
 - Analyze the effects of financial integration using macroeconomic tools
 - Understand the operation of preferential liberalization and customs union
 - Understand effect and scale sizes.
 - Analyze the effects of growth and integration in the stock market
 - Understand the optimal monetary areas
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DESCRIPTION OF CONTENTS

1. Globalization

2. Multilateralism and Regionalism

3. Custom Unions Theory

4. Single Market Theory

5. Integration and Growth

6. Financial and Monetary Integration

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of group work	30,00	0
Study and independent work	15,00	0
Preparation of evaluation activities	15,00	0
Preparing lectures	15,00	0
Preparation of practical classes and problem	15,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

The teaching methodology will be based on a combination of on- and off- campus activities. The theoretical class will be devoted to the presentation by the teaching staff of the most important concepts and contents of each subject in order that the students acquire the knowledge related to the subject, promoting participation.

The practical part of the subject is structured around two main instruments: active participation in the classroom (virtual and face-to-face) and group work with class exposition.

EVALUATION

Grading system:

- I. Written exam: 70%
- II. Continuous assessment: 30%

Composed by:

- Project 10% (Word)
- Presentation 10% (Power Point)
- Weekly essays 10%



REFERENCES

Basic

- Baldwin, Richard E. & Wyplosz, Charles (2015, 2020) The Economics of European Integration, 6th Edition. McGraw-Hill UK
- Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2018). International economics: Theory & policy. Boston, MA: Pearson Addison-Wesley.

Additional

- Economía de la Unión Europea
Coordinador/a Tamarit Escalona, Cecilio
Coordinador/a Camarero, Mariam
ISBN: 9788491979982
- MANKIW, G. (2018) Principles of Economics, Cengage Learning: Boston
- The CORE Team, The Economy. <http://www.core-econ.org>