

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

|                      |   |
|----------------------|---|
| <b>Code</b>          | 36489                                   |
| <b>Name</b>          | Real and financial economic integration |
| <b>Cycle</b>         | Grade                                   |
| <b>ECTS Credits</b>  | 6.0                                     |
| <b>Academic year</b> | 2021 - 2022                             |

**Study (s)**

| <b>Degree</b>              | <b>Center</b>        | <b>Acad. Period</b> |
|----------------------------|----------------------|---------------------|
| 1316 - Degree in Economics | Faculty of Economics | 4 First term        |

**Subject-matter**

| <b>Degree</b>              | <b>Subject-matter</b>                    | <b>Character</b> |
|----------------------------|--|------------------|
| 1316 - Degree in Economics | 26 - Economía Internacional y Territorio | Optional         |

**Coordination**

| <b>Name</b>                 | <b>Department</b>        |
|-----------------------------|--------------------------|
| REQUENA SILVENTE, FRANCISCO | 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.

It is recommended to familiarize yourself with the Mathematica program.

## OUTCOMES

### 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.



## LEARNING OUTCOMES

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

## DESCRIPTION OF CONTENTS

### 1. Essential microeconomic tools

Preliminaries I: supply and demand diagrams

Preliminaries II: introduction to open-economy supply and demand analysis

MFN tariff analysis

GVC analysis

Types of protection: an economic classification

Sources of competitiveness differences

Bibliography:

Baldwin & Wyplosz (2015 or 2020)

Krugman et al (201

### 2. The essential economics of preferential liberalization

Analysis of unilateral discriminatory liberalization

Analysis of a customs union

Frictional barriers

Deep regionalism, the Eurozone and soft preferences

WTO rules

Bibliography:

Baldwin & Wyplosz (2015 or 202



### **3. Market size and scale effects**

Liberalization, defragmentation and industrial restructuring: logic and facts

The BECOMP diagram in a closed economy

The impact of European liberalization

Bibliography:

Baldwin & Wyplosz (2015 or 2020)

### **4. Efectes sobre el creixement i la integració del mercat de factors**

The logic of growth and the facts

Medium-term growth effects: induced capital formation

Long-term growth effects: faster knowledge creation and absorption

Bibliography:

Baldwin & Wyplosz (2015 or 2020)

### **5. Economic integration, labour markets and migration**

European labour markets: a brief characterization

Labour markets: the principles

Effects of trade integration

Migration

Bibliography:

Baldwin & Wyplosz (2015 or 2020)

### **6. Essential macroeconomic tools**

The closed economy: a refresher

The open economy

The impossible trinity principle

The real exchange rate and the purchasing power parity principle

Applications: macroeconomic policies and the exchange rate

Bibliography:

Baldwin & Wyplosz (2015 or 2020)



**7. Optimum currency areas**

The question, the problem and the short answer

Benefits of a currency area

Costs of a currency area

The optimum currency area criteria

Is Europe an optimum currency area?

Is Europe becoming an optimum currency area?

Bibliography:

Baldwin & Wyplosz (2015 or 2020)

**8. The financial markets**

Essentials of financial markets

Effects of a monetary union

Fragmentation during the crisis

The Eurozone and its banks

The international role of the euro

Bibliography:

Baldwin & Wyplosz (2015 or 2020)

**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                |
| <b>TOTAL</b>                                 | <b>150,00</b> |                  |

**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 three main instruments: active participation in the classroom (virtual and face-to-face), tests of continuous evaluation and group work with class exposition.

## EVALUATION

The final grade will be calculated according to these three evaluation criteria, according to the attendance of the course:

1. 100% continuous evaluation: The final grade will be the average of the continuous evaluation (PECs and practices). Only those who have submitted all the practices and carried out all the continuous assessment tests (PECs) will be eligible for this evaluation method.
2. Continuous assessment 50%, Online / classroom exam 50%.
3. 100% online / face-to-face exam. Only students who for duly justified reasons have not been able to carry out the PECs (work or confinement.) Will be eligible for this evaluation method.

## 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>

## ADDENDUM COVID-19



This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council

## ENGLISH

### 1. CONTENTS

The contents initially included in the teaching guide are maintained.

### 2. WORK VOLUME AND TEMPORARY PLANNING OF TEACHING

- Maintenance of the weight of the different activities that add up the hours of dedication in ECTS credits marked in the original teaching guide.
- Sessions scheduled on the same dates and times with the same duration.

### 3. TEACHING METHODOLOGY

- The classroom teaching is replaced by online teaching, preferably by synchronous video conferencing. The teacher will inform about the platform based on the availability of the UV: Blackboard, Teams, or others provided by the UV.
- Tutoring by videoconference. The teacher will inform about the platform: Skype, BBC, Zoom, telephone, email, or other tools provided by the UV.

### 4. EVALUATION

- Weight and continuous assessment tests do not change. Deliveries or tests are made by the Virtual Classroom or by email.
- The weight, content and type of final exam do not change. The test will be preferably written (test, open-ended questions), but the teacher may decide that the exam is oral if he considers it appropriate. The





teacher may substitute the final exam for a work, exercise or written essay to be delivered by the student

#### 5. BIBLIOGRAPHY

- The recommended bibliography is maintained as it is accessible.