

**Course Profile - Department of Economics**

Course Number : <b>ECO401</b>	Course Title: <b>Economics of the EU</b>
Required / Elective : Required	Pre/ Co requisites: None
Catalog Description The history of the European integration. Basic institutions of the EU and their functions. The role of the EU in the world economy. Common policies of the EU. Widening and deepening of the European integration. Principles of subsidiarity and the EU. The Copenhagen and Maastricht criteria and Lisbon strategies of the EU. The EU enlargement to the south and the east. Accession protocols and membership negotiations. The history of the EU-Turkey relations. Reforms, and accession strategies to be followed by Turkey.	Textbook / Required Material : <u>Economics of Monetary Union</u> , 6 <sup>th</sup> ed., by Paul De Grauwe.
Course Structure / Schedule : 3+0+0 / <b>6 ECTS</b>	
<p>Extended Description : This course will provide students with a understanding of how to analyze the history, theory, costs, benefits, prerequisites, structure, institutions of EMU and the monetary policy, fiscal policy, the financial market integration in the Euro area for the</p> <p>students to be able to develop their own ideas about the setbacks, the power, the enlargement, the future of EMU and about the path the non-EMU members of EU and the candidate EU countries should follow.</p> <p>Week</p> <ol style="list-style-type: none"> <li>1 The Theory and History of Monetary Unions</li> <li>2 The Theory of Optimum Currency Areas</li> <li>3 The Theory of Optimum Currency Areas</li> <li>4 The Macroeconomic Effects of Monetary Union: Costs and Benefits compared</li> <li>5 The European Economic and Monetary Union</li> <li>6 The European Economic and Monetary Union</li> <li>7 Mid-term exam review, Mid Term</li> <li>8 The European System of Central Banks (ESCB) and the ECB</li> <li>9 The Monetary Policy in Eurozone</li> <li>10 The Monetary Policy in Eurozone</li> <li>11 The Fiscal Policies in Eurozone</li> <li>12 The Fiscal Policies in Eurozone</li> <li>13 The Euro and Financial Markets</li> <li>14 The Euro and Financial Markets</li> </ol>	
Design content : None	Computer usage: Not necessary

Course Outcomes: [relevant program outcomes in brackets]:

By the end of this course, students will be able to:

1. Recognize the diversity in cultures, belief systems and life styles, and economies across the European Union.
2. The ability to recognize lifelong education and participate in it as a student as well as an educator.

Recommended reading: Please see the attachment for the reading list.

Teaching methods: Lecture, In class discussions

Assessment methods:

Midterms: 40 %

Final Examination: 60%

	Program Outcomes	Level of Contribution*				
		1	2	3	4	5
1	To comprehend fundamental economic concepts, to be able to utilize those in main economic problems, avoid mistakes as employee, employer, consumer and citizen due to common misconceptions regarding fundamental economic concepts					
2	To comprehend growth, inflation, interest rates, foreign exchange rates, foreign investments and foreign trade in Turkish economy					
3	Acknowledging that there exist different schools of thought in the discipline of economics and appreciating, for example, that there may be differences of opinion about the role of the state in economic life					
4	Understanding the set/matrix of relations in the global world economy and the role of international organizations within these relation;and also analyzing the costs and benefits of mutual dependence among countries.					
5	Apprehending the professional and ethical responsibilities, recognizing the importance and implications of occupational security					
6	Apply statistical methods, calculus and similar methods in data analysis, Comprehend problems on humanities and social sciences and make inferences on solutions					
7	Recognize the diversity in cultures, belief systems and life styles, question information using logical induction and deduction					x
8	Ability to model the equilibrium dynamics in markets, analyze, abstract, synthesize and interpret information					
9	The ability to work, take initiative and lead in multidisciplinary teams					
10	Effective communication skills by using written, verbal and visual tools					
11	The ability to recognize life long education and participate in it as a student as well as an educator				x	
12	Preparing reports which evaluate the economy on sectoral and macro					

	bases; assessing critically the publications related to the economy; being capable of identifying the dynamics of and following the developments in the market, stock exchange markets, exchange rate markets, supply and demand; collecting and analyzing data on different fields of economics and interpreting them using statistical and econometric techniques and required software programs; equipping with good skills of presenting the findings; efficient note taking; asking the necessary questions to achieve, utilize and transfer information.					
13	Apprehending the role and importance of environment and environmental sustainability					
Level of Contribution* 1= Least 5 = Highest						
Student Workload/ECTS (European Credit Transfer System) Tableau:						
Activity:	Number:	Total Workload (hour):				
Prereadings	17	92				
Lectures	48	48				
Exams	2	10				
<b>TOTAL 150 hrs/25 = 6 ECTS</b>						
Prepared by : BS				Revision Date : 28.06.2013		

## READING LIST OF ECO401

### The Theory and History of Monetary Unions

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.5

Rose, Andrew K, 2006: Currency Unions, The New Palgrave

Bordo, Michael D. and Jonung, Lars, 1999: The Future of EMU: What Does the History of Monetary Unions Tell Us, NBER Working Papers Series

Gros, Daniel and Thygesen, Neils, 1992: European Monetary Integration: From the European Monetary System to European Monetary Union, Longman Publishing, Ch.1, 3

Christl, Josef and Jonung, Lars, 2006: Regional Currency Arrangements: Insights from Europe, Bank of Greece Working Paper No:42, June 2006

### The Theory of Optimum Currency Areas

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.2

Mongelli, Francesco Paolo, 2005: What is European Economic and Monetary Union Telling Us About the Properties of Optimum Currency Areas?, Journal of Common Market Studies, Volume 43

Kucerova, Zuzana, 2003: The OCA Theory and its Application to Central and Eastern European Candidate Countries

Alkayeva Svetlana, 2006: Optimum Currency Areas, Yale Economic Review

Mundell, Robert A, 1968: International Economics, A Theory of Optimum Currency Areas, New York: Macmillan, p.177-186

Mundell, Robert A, 1997: Optimum Currency Areas, Columbia University

Roper, Don, 2006: Robert Mundell's Work on Optimum Currency Areas

Kenen Peter, 2002: What we can learn from the theory of Optimum Currency Areas, HM Treasury

Mc Kinnon, Ronald, 2001: Optimum Currency Areas and the European Experience, Stanford University

Mc Kinnon, Ronald, 2004: Optimum Currency Areas and Key Currencies Mundel I versus Mundel II, Journal of Common Market Studies

Frankel, Jeffrey A and Rose, Andrew, 1996: Economic Structure and the Decision to Adopt a Common Currency, University of California- Berkeley

De Grauwe Paul and Mogelli, Paolo Francesco, 2004: Endogeneities of Optimum Currency Areas, Conference on 'Monetary Union in Europe: Historical Perspectives and Prospects for the Future'

## **The Macroeconomic Effects of Monetary Union: Costs and Benefits compared**

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford;

Ch:1,3,4

De Grauwe, Paul, 2006: On Monetary and Political Union, University of Leuven

European Commission, Directorate-General for Economic and Financial Affairs,  
2006: Annual Report on the Euro Area-2006

Eichengreen, Barry., 2002,: Reflections on the Coherence of the Euro Area,  
HM Treasury, September 2002

Altavilla, Carlo, 2004: Do EMU Members Share the Same Business Cycle?, JCMS  
2004 Volume 42,Number 5,pp.869-96

Frankel, Jeffrey.,2002: The UK Decision Re EMU- Implications of Currency  
Blocks for Trade and Business Cycle Correlations, HM Treasury,October 2002

Jurgen Klaus et al, 2004: European Monetary Integration after EU  
Enlargement, Kiel Discussion Papers September 2004

De Grauwe, Paul.,2002:The Challenge of the Enlargement of Euroland, HM  
Treasury, November 2002

De Grauwe, Paul and Schnabl, Gunther, 2005: Nominal Versus Real  
Convergence-EMU Entry Scenarios for the New Member States, KYKLOS,  
Vol.58-2005-No.4,537-555

Angeloni, Ignazio., Flad, Michael., Mongelli Francesco Paolo,2005: Economic  
and Monetary Integration of the New Member States: Helping to Chart the  
Route, Occasional Paper Series, Number:36, September 2006

Fidrmuc, Jarko., 2004: The Endogeneity of the Optimum Currency Area, Trade  
and Labor Market Rigidities: Implications for EMU Enlargement,EUI Working

Paper, RSCAS No.2004/16

## **The European Economic and Monetary Union**

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.6

De Grauwe, Paul, 2006: What have we learnt about monetary integration since the Maastricht Treaty?

Tsoukalis, Loukas, 2005: What Kind of Europe, 'EMU a Unifying Factor', Oxford University Press

Mongelli, Francesco Paolo and Vega, Juan Luis, 2006: What Effects is EMU Having on the Euro Area and its Member Countries?, ECB

Fountas, Stilianos and Papagapitos, 2000: Agapitos, The Monetary Transmission Mechanism: Evidence and Implications for European Monetary Union, Economic Letters 70 (2001) 397-404

## **The European System of Central Banks (ESCB) and the ECB**

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.7

Official Journal of the European Union, Protocol on the Statute of the European System of Central Banks and of the European Central Bank

Wellink,N and Chapple B, and Maier P, 2002: The Role of Central Banks within the European System of Central Banks: The Example of De Nederlandsche Bank, De Nederlandshe Bank

European Central Bank, 2006:The European Central Bank, The Eurosystem, The European System of Central Banks, ECB

## **The Monetary Policy in Eurozone**

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.8

De Grauwe, Paul, 2003: Integration in an Expanding European Union, Reassessing the Fundamentals, 'Challenges for Monetary Policy in Euroland', Blackwell Publishing

Hishow, Ogmian, 2006: The Euro- Engine or Brake of Europe's Economic Convergence?, Working Paper SWP Berlin

### **The Fiscal Policies in Eurozone**

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.9

Faini Riccardo, 2006: Fiscal Policy and interest rates in Europe, Economic Policy

Fatas, Antonio, 2002: The Benefits and Costs of Creating a European Fiscal Federation, HM Treasury

Buti, Maeco and Giudice Gabriele, 2003: Integration in an Expanding European Union, Reassessing the Fundamentals, 'Maastricht's Fiscal Rules at Ten: An Assessment', Blackwell Publishing

Soukiazis, Elias and Castro, Vitor, 2005: How the Maastricht Criteria and the Stability and Growth Pact affected real convergence in the European Union, A Panel Data Analysis, Journal of Policy Modelling

### **The Euro and Financial Markets**

Berg, Jasper., Grande, Mauro., and Mongelli, F. Paolo: 2006, Elements of the Euro Area: Integrating Financial Markets, Global Finance Series, Ashgate Publishing Ltd, England

De Grauwe, Paul, 2006: Economics of Monetary Union, 6th ed., Oxford; Ch.10

Dermine Jean, 2002: European Capital Markets with a Single Currency, What Do We Learn?, HM Treasury

Weber, A. Axel, 2006: Concluding Remarks at the Conference of ECB-CFS Research Network on "Financial System Modernisation and Economic Growth in Europe", Deutsche Bundesbank

### **The Economist, Relevant Articles**

Barben, Robert-Paul and Jansen, W.Jos, 2005: Bond Market and Stock Market Integration in Europe, DNB Working Papers, No.60/ November 2005