

SEMINAR 11.

Economics in the EU

28 September 2021
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Outline

- I. A brief introduction of the European Union
- II. The Microeconomics and Macroeconomics of European Integration
- III. Policies in the European Union
- IV. The crisis

Three breaks

Break 1 (11:00-11:10), break 2 (12:00-12:10), and break 3 (13:00-13:10).

Material (part II)

<https://www.uv.es/agote2/euconas2021.htm>

What is economics?

- Is the study of how society manages its **scarce resources**.
- Economists study how people **make decisions**.
 - For instance, how much they work; what they buy; how much they save, how much they invest their savings.
- Economists study how people **interact with each other**.
- Economists analyse forces and trends that affect the economy as a whole, including
 - GROWTH (the growth in average income),
 - UNEMPLOYMENT (the fraction of the population that cannot find work), and
 - INFLATION (the rate at which prices are rising).



Part I

A brief introduction of the European Union

- **What do you know about the EU?**
- What is the European Union?
- Members of the EU
- Demographic and economic characteristics
- EU institutions and EU treaties
- EU budget

What do you know about the EU?

Question 1

Following the two devastating world wars in the 20th century that killed millions of people, several European countries decided to work together to ensure that there would be no more bloodshed.

Who were these founding members of the EU?

1. Belgium, France, Germany, Italy, Luxembourg, the Netherlands, and Spain.
2. Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.
3. Belgium, France, Germany, Luxembourg, the Netherlands, and Denmark.

Question 2

The founding countries decided to share control of their coal and steel industries so that they could not secretly arm themselves against each other. After this, they set about expanding cooperation to other economic sectors.

What was the organisation they created in 1957 called?

1. The European Economic Community
2. The European Coal and Steel Community
3. The European Economic and Social Committee

What do you know about the EU?

Question 3

The first enlargement of the EU in 1973 brought its membership to nine.

Which were these three new countries?

1. Denmark, Ireland, and the United Kingdom.
2. Norway, Denmark, and Ireland.
3. The United Kingdom, Greenland, and Denmark.

Question 4

In the 1970s, three European countries, previously ruled by dictatorships, became democracies and became eligible to apply for EU membership.

Which of these statements is true?

1. Greece, Spain and Portugal all became members in 1986.
2. Greece became a member in 1981. Spain and Portugal followed in 1986.
3. Greece and Spain joined in 1981 and Portugal followed in 1986.

What do you know about the EU?

Question 5

The fall of the Berlin Wall cleared the way for central and eastern European countries that were previously controlled by the former Soviet Union to reform their systems and join the EU.

Which of these statements is true?

1. Ten central and Eastern European countries joined the EU on 1 May 2004, bringing EU membership to 25.
2. Eight countries from central and eastern Europe and two Mediterranean islands joined the EU in May 2004.
3. Ten countries including Bulgaria, Hungary, Poland, and Romania joined the EU on 1 May 2004.

Question 6

The European flag flies above parliaments, buildings, parks and monuments all over Europe.

What do the 12 golden stars on a blue background represent?

1. The number of countries that were part of the EU when the flag was designed.
2. Unity, solidarity and harmony among the people of Europe.
3. The circle of knowledge and truth.

What do you know about the EU?

Question 7

Which Member State...

... is one of seven monarchies in the European Union;

... is known for its Midsummer celebrations; and

... joined the European Union in 1995, together with two other countries?

1. Sweden
2. Finland
3. Estonia

Question 8

Which Member State...

... fought a war of independence between 1991 and 1995;

... has a coat of arms featuring a red and white checkerboard pattern;

... is the latest country to join the European Union?

1. Bulgaria
2. Croatia
3. Slovenia

What do you know about the EU?

Question 9

Although there may sometimes be disagreements between EU countries, the basic principles behind the EU have remained unchanged for more than six decades. In 2012, the European Union was recognised for its work in uniting the continent.

Which award did it receive?

1. The Charlemagne Prize
2. The Sakharov Prize.
3. The Nobel Peace Prize.

Question 10

Which Member State...

The EU treaties govern how decisions are made and in which areas the EU acts jointly.

In which European city was the latest treaty signed?

1. Rome
2. Amsterdam
3. Lisbon

- What do you know about the EU?
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What is the European Union?

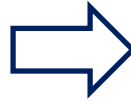
- The EU is a group of democratic countries committed to work together for peace and prosperity.
- The aim is to provide the **same level of welfare** across states members (social background).
 - In order to achieve this objective there are **economic measures**.
- The EU is unique.
 - Its Members States have set up common institutions to which they delegate some of their sovereignty.

➤ Is the EU an Economic Union?

- Let's see different degrees of integration.

Degree of integration

Free Trade Area (FTA)



- Free export/import flows among countries (no limitations).
- Examples: NAFTA (US, Canada, and Mexico)
- Problem: third countries

Custom Union

- FTA + same trade policy toward third countries.
- Coordination
- Example: Mercosur (Argentina, Brazil, Paraguay, and Uruguay).



Economic Union



- Economic Community + fiscal and monetary policies
- Countries apply the same policy, have the same currency, etc.
- Countries behave as only one country.

Economic Community

- Custom Union + free movement of people and capital across countries.
- Same rights for both natives and immigrants (social protection).
- Commitment
- Example: European Economic Community (1957-1992)



Is the EU an economic union?

- The EU is not an economic union.
- Why?
 - Not fiscal policy.
 - Welfare system (education, health, etc.)
 - Not unitary currency.
 - 19 countries are part of the Euro.
 - 7 countries are not part of the Euro.
- The EU is a **single market**: free movement of goods, services, capital and labor,

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The European Union: 27 countries

Country	Capital	Flag	Year EU enter	Euro?
AT Austria	Vienna		1995	1999
BE Belgium	Brussels		1958	1999
BG Bulgaria	Sofia		2007	
HR Croatia	Zagreb		2013	
CY Cyprus	Nicosia		2004	1999
CZ Czech Republic	Prague		2004	
DK Denmark	Copenhagen		1973	
EE Estonia	Tallinn		2004	2011
FI Finland	Helsinki		1995	1999
FR France	Paris		1958	1999
DE Germany	Berlin		1958	1999
GR Greece	Athens		1981	2001
HU Hungary	Budapest		2004	
IE Ireland	Dublin		1973	1999

Country	Capital	Flag	Year EU enter	Euro?
IT Italy	Roma		1958	1999
LV Latvia	Riga		2004	2014
LT Lithuania	Vilnius		2004	2015
LU Luxembourg	Luxembourg		1958	1999
MT Malta	Valleta		2004	2008
NL Netherlands	Amsterdam		1958	1999
PL Poland	Warsaw		2004	
PT Portugal	Lisbon		1986	1999
RO Romania	Bucharest		2007	
SK Slovakia	Bratislava		2004	2009
SI Slovenia	Ljubljana		2004	2007
ES Spain	Madrid		1986	2009
SE Sweden	Stockolm		1995	
GB United Kingdom	London		1973	

Brexit
Feb 2020

Enlargement: from six to 27 countries



Year	Countries
1957	Belgium, France, Germany, Italy, Luxembourg, the Netherlands
1973	Denmark, Ireland, the United Kingdom
1981	Greece
1986	Spain, Portugal
1995	Austria, Finland, Sweden
2004	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia
2007	Bulgaria and Romania
2013	Croatia
2020	Brexit

1952 1973 1981 1986 1995 2004 2007 2013 *Česká republika = Česko (2019)

Candidates and potential candidates



Member States of the EU

Candidate countries and potential candidates



Policy of enlargement (Maastricht Treaty, 1992)

Copenhagen criteria:

- Stable institutions to guarantee democracy
- Market economy which works.
- *Acquis communautaire*: Total package of European legislation must be applied
- Potential candidate → Official candidate
- Unanimity (European Council)

Candidate countries

- Albania
- Rep. North Macedonia
- Montenegro
- Serbia
- Turkey

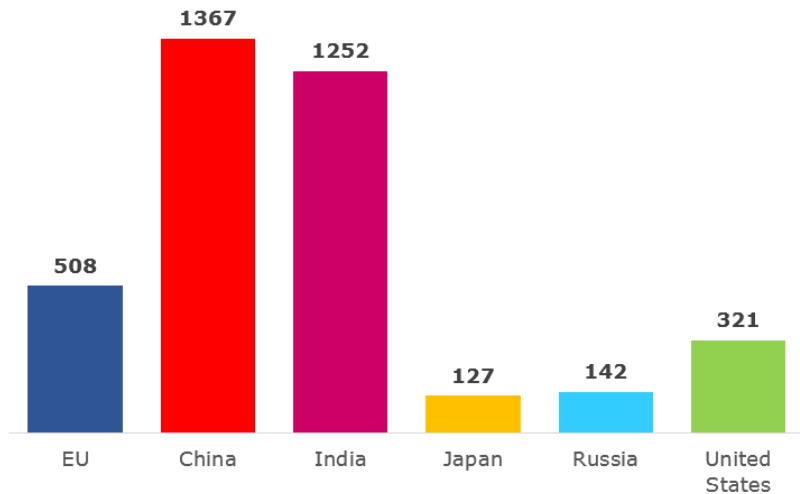
Potential candidate

- Bosnia and Herzegovina
- Kosovo

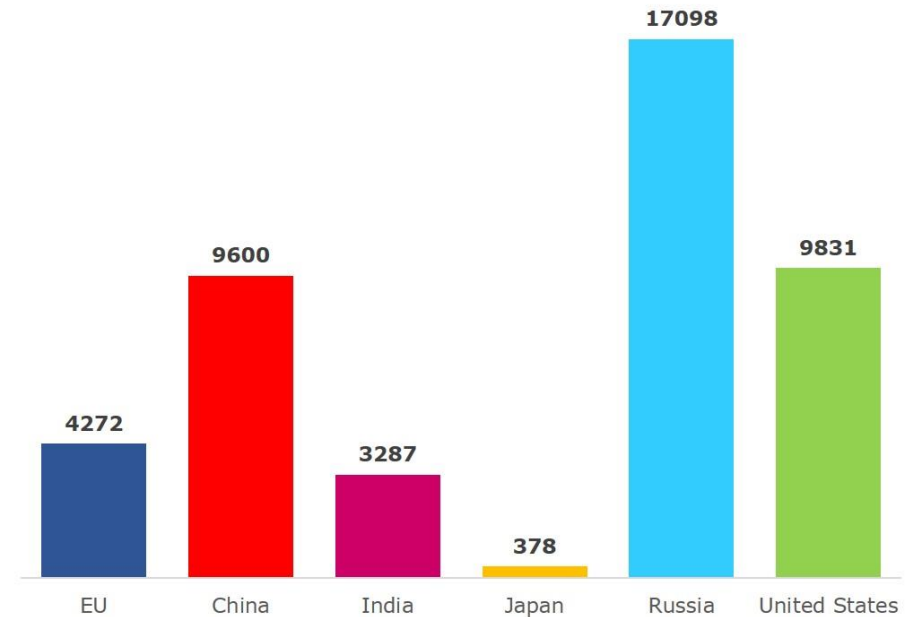
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EU compared to the rest of the world

Population in millions (2015)

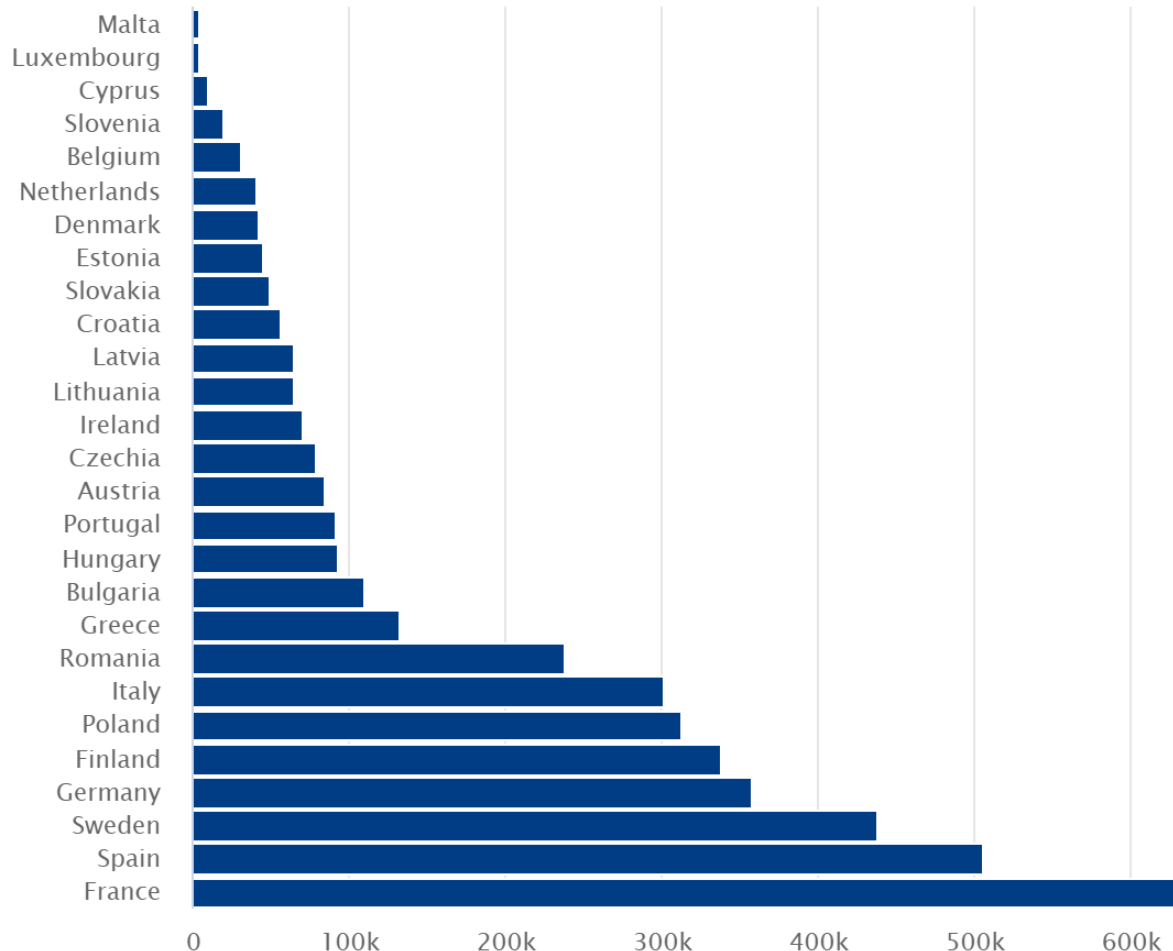


Surface area (x 1000 km²)



How big are the EU countries?

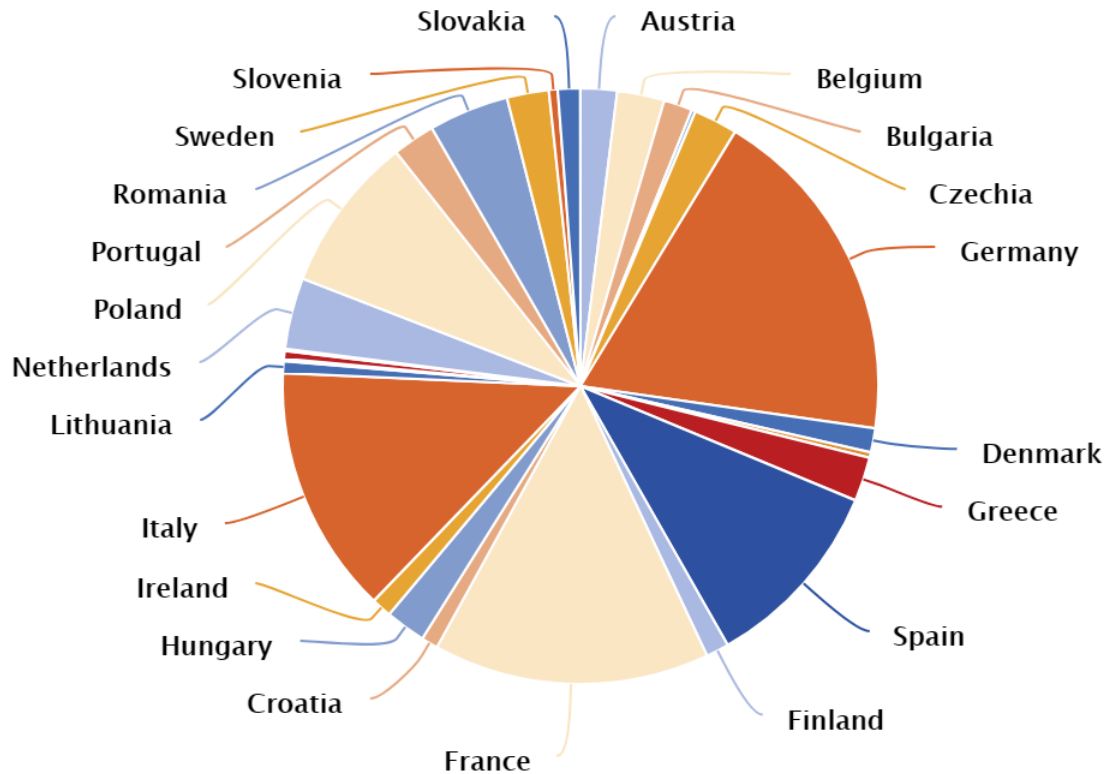
Surface area in thousands of square kilometres



Country	Surface (Square Km)
1. France	633,186.6
2. Spain	505,944.0
3. Sweden	438,574.0
4. Germany	357,376.0
5. Finland	338,440.0
6. Poland	312,679.0
7. Italy	302,073.0
8. Romania	238,390.7
...	
26. Cyprus	9,251.0
27. Luxembourg	2,586.0
28. Malta	315.4

How many people live in the EU?

Population by country



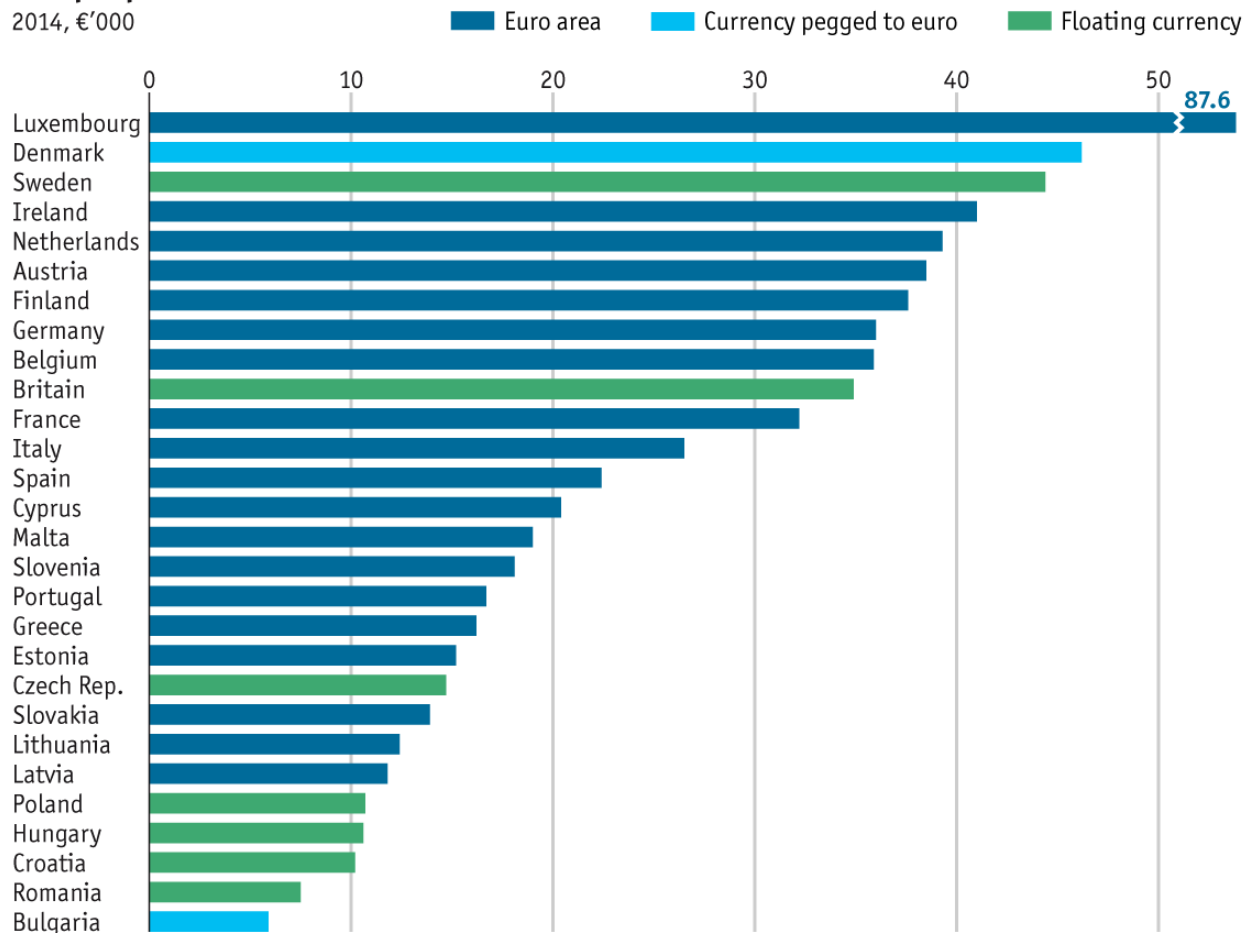
Country	Population
Germany	83,019,214
France	67,028,048
Italy	60,359,546
Spain	46,934,632
...	
Belgium	11,467,923
...	
Cyprus, Lux., Malta	<1,000,000

GDP per person

(2014, thousands €)

GDP per person

2014, €'000



Source: Extracted from The Economist

(https://www.economist.com/blogs/dailychart/2010/12/europes_economies)

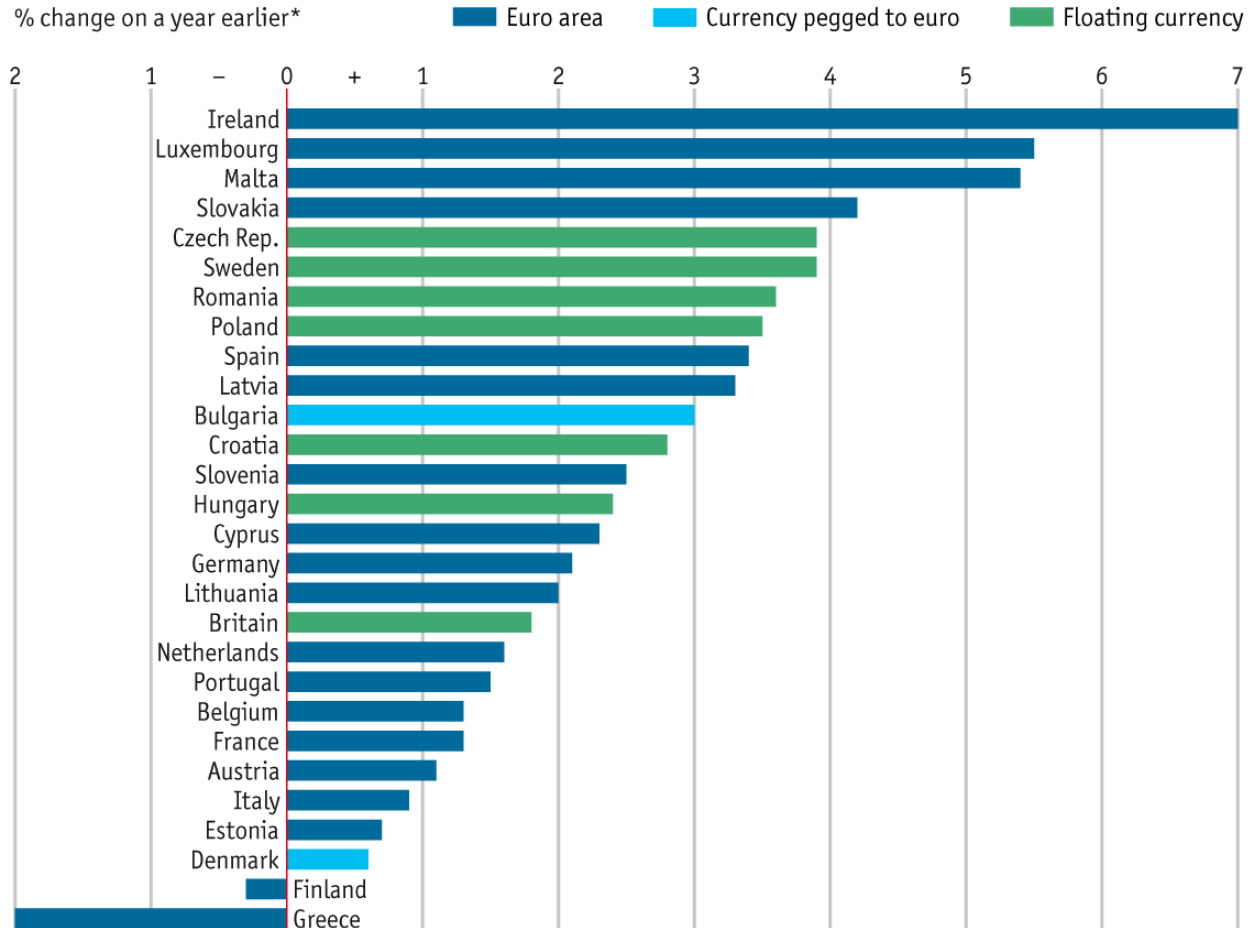
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GDP growth (Q4 2015 or latest)

Latest GDP

% change on a year earlier*



Source: Extracted from The Economist

(https://www.economist.com/blogs/dailychart/2010/12/europes_economies)

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GDP per capita in PPS

GDP per capita in PPS



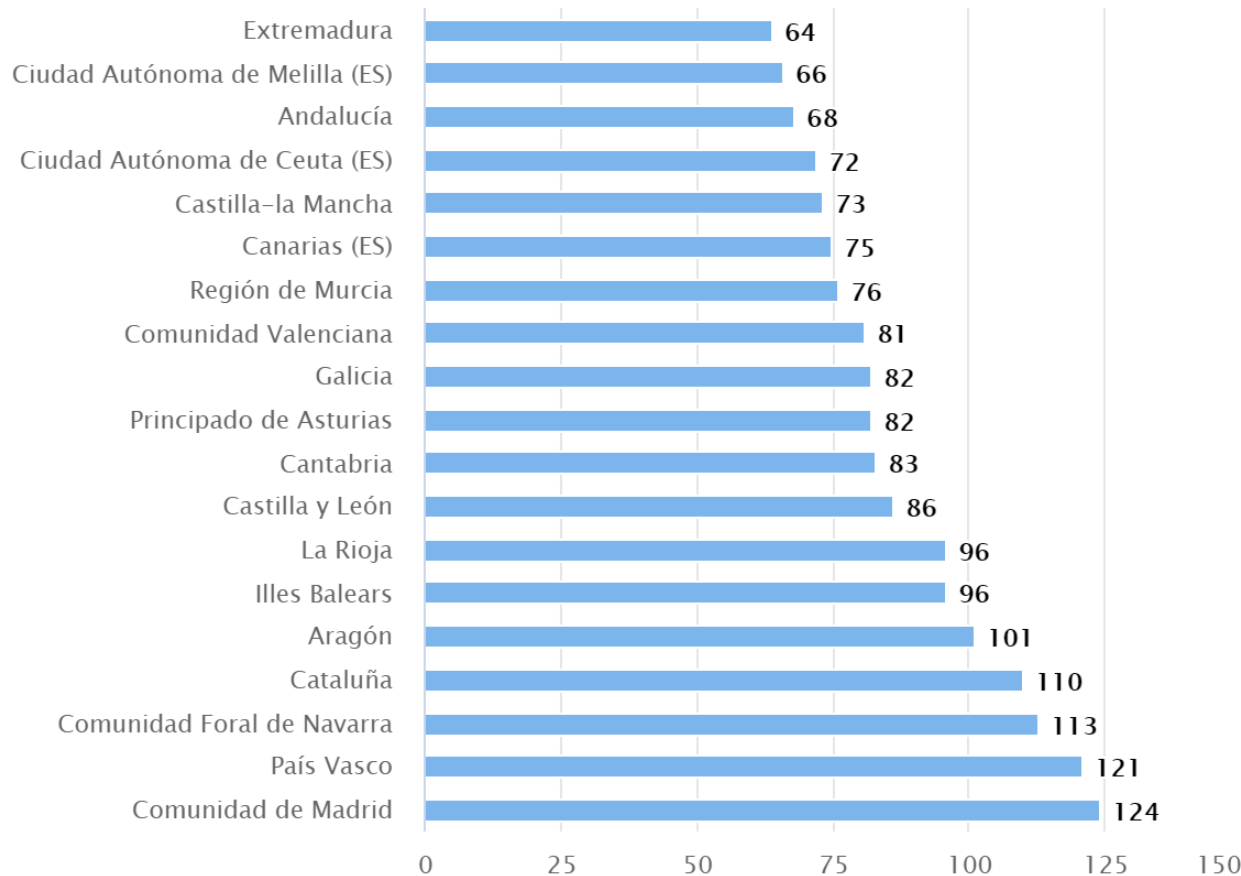
Quality of life

Living standards can be compared by measuring the price of a range of goods and services in each country relative to income, using a common national currency called the purchasing power parity (PPS).

Comparing GDP per inhabitant in PPS provides an overview of **living standard** across the EU.

Regional GDP per capita in PPS

Regional gross domestic product (PPS per inhabitant in % of the EU28 average) by NUTS 2 regions

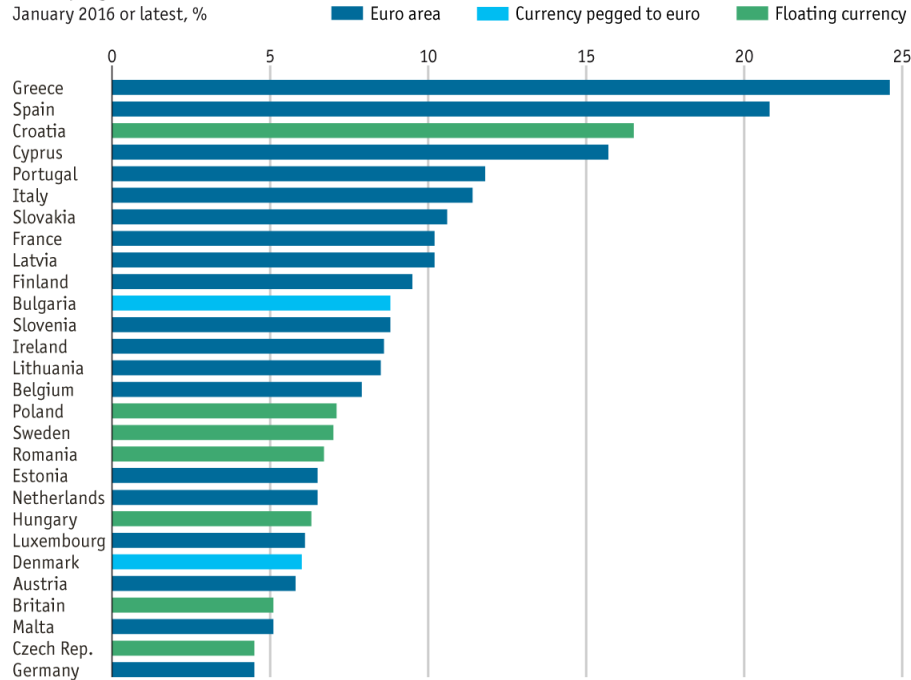


Units: PPS per inhabitant in percentage of the EU average.
Regions above the EU average.
Regions below the EU average.

Unemployment rate (2016 or latest)

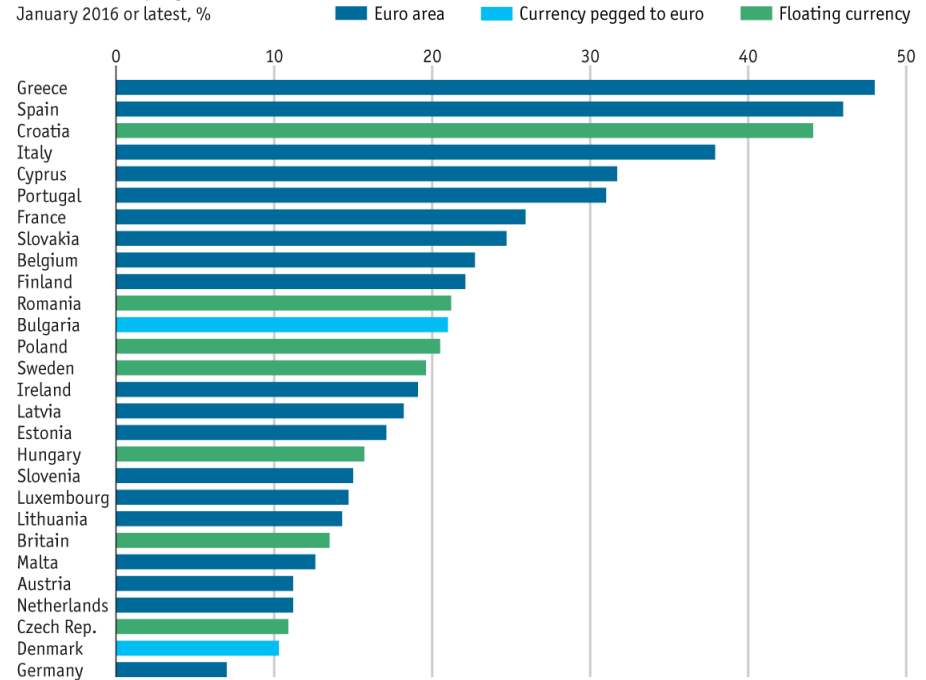
Unemployment rate

January 2016 or latest, %



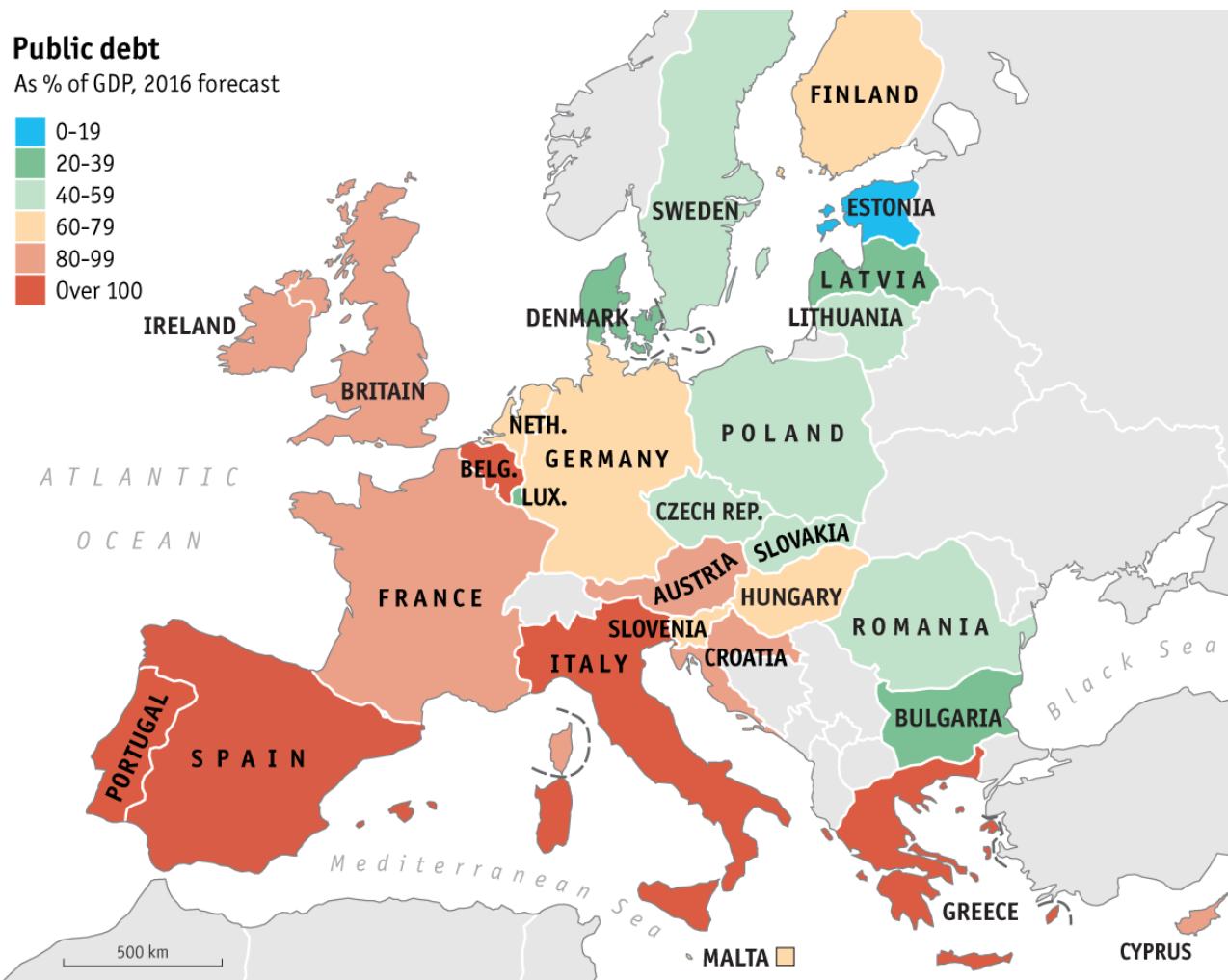
Youth* unemployment rate

January 2016 or latest, %



Public Debt

As % of GDP, 2016 forecast



Source: Extracted from The Economist

(https://www.economist.com/blogs/dailychart/2010/12/europes_economies)

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Setting the agenda

- European Council

Law-making

- European Parliament
- European Commission
- Council of the European Union

Other EU institutions and bodies

- Court of Justice of the EU
- Court of Auditors
- European Central Bank
- ...

The powers and responsibilities of all these institutions are laid down in the Treaties, which are the foundation of everything the EU does.

Every action taking by the EU is founded on treaties that have been **approved** voluntarily and democratically by **all EU member countries**.

If a policy is not cited in a treaty, the European Commission cannot propose a law in that area.

A treaty is a **binding agreement** between EU member countries. It sets out:

- EU objectives,
- rules for EU institutions,
- how decision are made, and
- the relations between the EU and its member countries.

Under the treaties, EU institutions can adopt legislation, which the member countries then implement.

- The Coal and Steel Community (Treaty of Paris)
- Treaties of Rome
 - EEC Treaty
 - Euratom Treaty
- Merger Treaty (Brussels Treaty)
- Single European Act
- Treaty of the European Union (Maastricht Treaty)
- Treaty of Amsterdam
- Treaty of Nice
- Treaty of Lisbon

Treaties of Rome: EEC and Euratom Treaties	
Signed	25 March 1957
Enter into force	1 January 1958
Purpose	To set up the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).
Main changes	<p>Extension of European integration to include general economic cooperation.</p> <ul style="list-style-type: none">• Free trade in goods.• Common trade policy with the rest of the world• Ensuring undistorted competition• Unrestricted trade in services• Labor and capital market integration• Exchange rate and macroeconomic co-ordination• Social policies• Tax policy. Welfare system?

Single European Act	
Signed	17 February 1986 (Luxembourg) / 28 February 1986 (The Hague)
Enter into force	1 July 1987
Purpose	<ul style="list-style-type: none">-To reform the institutions for Portugal and Spain's memberships.-To speed up decision-making in preparation for the single market.
Main changes	<ul style="list-style-type: none">-Extension of qualified majority voting in the Council (making it harder for a single country to veto proposed legislation).-Creation of the cooperation and assent procedures, given Parliament more influence..

The key changes in the Single Market Program were designed to reinforce the “four freedoms” (free movement of goods, services, people and capital) promised by the Treaty of Rome.

The concrete steps were:

- Liberalization of trade in goods.
- Streamlining or elimination of border formalities
- Harmonisation of VAT rates within wide bands
- Liberalization of government procurement
- Harmonisation and mutual recognition of technical standards in production, packaging and marketing
- Liberalisation of factor trade
- Removal of all capital controls
- Increase in capital market integration
- Liberalization of cross-border market-entry policies, including mutual recognition of approval by national regulatory agencies.

Treaty of European Union – Maastricht Treaty

Signed	7 February 1992
Enter into force	1 November 1993 (difficult process of ratification in Denmark)
Purpose	-To prepare for European Monetary Union . -To introduce elements of a political union (citizenship, common foreign and internal affairs policy) .
Main changes	-Establishment of European Union . -Three-pillar structure (task allocation is clearer) <ul style="list-style-type: none">▪ First pillar: Economics (supranational decision making)▪ Second pillar: Security (no supranational decision making)▪ Third pillar: Justice (no supranational decision making) -Introduction of the co-decision procedure (given Parliament more to say in decision making). -New forms of cooperation between EU governments.

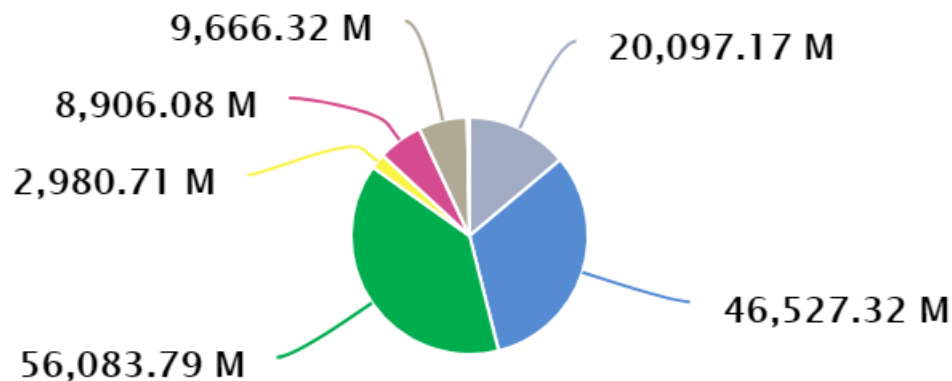
Treaty of Lisbon	
Signed	13 December 2007
Enter into force	1 December 2009 (difficult process of ratification in Ireland)
Purpose	To make the EU more democratic, more efficient and better able to address global problems , such as climate change.
Main changes	<ul style="list-style-type: none"> -More power for the European Parliament. -Change of voting procedures in the Council -Citizens' initiative. -A permanent president of the European Council. -A new High Representative for Foreign Affairs. -The Lisbon Treaty clarifies which powers <ul style="list-style-type: none"> -belong to the EU -belong to EU member countries -are shared

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- [Fact check on the EU budget](#) (European Commission)
- [MFF: an EU budget framework for the future](#) (European Parliament, 2018) (00:59)
- [Multiannual Financial Framework](#) (Council of the EU, 2108) (01:20)
- [The 2021-2027 EU Budget – What's new?](#)

2018 Adopted budget

2018 – Total
EUR 144,680,980,690
Payments



- Competitiveness for growth and jobs
- Security and citizenship
- Compensations
- Economic, social and territorial cohesion
- Global Europe
- Other special instruments
- Sustainable growth: natural resources
- Administration

Competitiveness for growth and jobs	13.9%	Global Europe	6.2%
Economic, social and territorial cohesion	32.2%	Administration	6.7%
Sustainable growth: natural resources	38.8%	Compensations	0.0%
Security and citizenship	2.1%	Other special instruments	0.4%

Source: European Commission

(https://ec.europa.eu/budget/graphs/annual_life_cycle.html)

For more information: https://ec.europa.eu/info/strategy/eu-budget/how-it-works/fact-check_en

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2018 Adopted budget

Competitiveness for growth and jobs

EUR 20,091,17 M

- Large infrastructure projects (9.1%)
- Nuclear Safety and Decommissioning (0.8%)
- European Fund for Strategic Investments (2.7%)
- Common Strategic Framework (CSF) Research and Innovation (55.8%)
- Competitiveness of enterprises and small and medium-sized enterprises (COSME) (1.3%)
- Education, Training and Sports (Erasmus+) (10.8%)
- Customs, Fiscalis and Anti-Fraud (0.6%)
- Connecting Europe Facility (CEF) (7.6%)
- Energy projects to aid economic recovery (EERP) (1.0%)
- European Solidarity Corps (ESC)
- ...

2018 Adopted budget

Economic, social and territorial cohesion

EUR 46,527.32 M

- Investment for growth and jobs (93.4%)
- Connecting Europe Facility (CEF) – CF contributions (1.3%)
- European territorial cooperation (2.7%)
- Youth employment initiative (specific top-up allocation) (1.3%)
- Technical assistance and innovate action
- European Aid to Most Deprived (FEAD)
- Pilot projects and preparatory actions

2018 Adopted budget

Sustainable growth: natural resources

EUR 56,083.79 M

- European Agricultural Guarantee Fund (EAGF) – Market related expenditures and direct payments (77%)
- European Agricultural Fund for Rural Development (EAFRD) (21.1%)
- European Maritime and Fisheries Fund (EMFF)
- Sustainable Fisheries Partnership Agreements (SFPAs) and compulsory contributions to Regional Fisheries Management Organisations (RFMOs)
- Environment and climate action (LIFE)
- Other actions and measures
- Pilot projects and preparatory actions
- Decentralised agencies