

Introduction to the European Union



September–October 2019

Seminar 10
Economics in the European Union
Part I

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Introduction to the European Union



September–October 2019

1. History of the EU. Creation and evolution of the EU
2. Objectives and competences of the EU
3. Institutions and bodies of the EU
4. Democracy and EU elections
5. Intellectual Property in the EU Digital Single Market
6. EU Migration and asylum Policy
7. Privacy and data protection in the EU
8. Environmental protection in the EU
9. Fundamental rights on the EU
- 10. Economics in the EU**
11. Gender & equality in the EU
12. Research & innovation in the EU
13. Surveillance in the EU
- 14 EU agreements with third countries
15. Future challenges for the EU integration

Outline Part I

- What is the European Union
- Members of the EU
- Demographic and economic characteristics
- EU institutions and EU treaties

- What is economics?
- What is the European Union?

Economics in the EU

What is economics?

- Is the study of how society manages its scarce resources.
- In most societies, resources are allocated not through the combined actions of millions of agents (households and firms).
- Economists study how people make decisions:
 - how much they work,
 - what they buy,
 - how much they save,
 - how much they invest their savings
- Economists study people interaction how people interact with each another.
- Economists analyzes forces and trends that affect the economy as a whole, including
 - the growth in average income,
 - the fraction of the population that cannot find work, and
 - the rate at which prices are rising.

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 the different degree 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 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)



Economic Union

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

What is the European Union?

- The EU is not an economic union. Why?
 - Not fiscal policy
 - Not unitary currencies
 - Welfare system (education, health, etc.)
 - Sweden
 - South Europe (Spain, Italy)
 - UK
 - Monetary policy
 - 19 countries are parts of the Euro
 - 9 countries are not part of the Euro.
- The EU is a **single market** (free movement of goods, services, capital, and labor).

What do you know about the Economy Union?



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 Economy Union?

Question 3

Soon after the Second World War, Europe was split into east and west. The Berlin Wall, which separated East and West Berlin for almost three decades, was a symbol of this division until its fall in 1989.

Which of these statements is true?

1	Resistance against communist rule in central and eastern Europe led to the fall of the Berlin Wall.
2	The reunification of Germany in 1990 brought West Germany into the European Union.
3	Germany beat Argentina 1–0 in 1990 football World Cup.

Question 4

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, Greeland, and Denmark

What do you know about the Economy Union?

Question 5

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.

Question 6

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.

What do you know about the Economy Union?

Question 7

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.

Question 8

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

What do you know about the Economy Union?

Question 9

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.

Question 10

How many official languages does the EU have?

1	24
2	23
3	19



What do you know about the Economy Union?

Question 11

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 12

Every year the EU celebrates its birthday on 9 May.

What is the name of the man who, on 9 May 1950, put forward the plan considered to be the beginning of what is now the European Union?

1	Alcide De Gasperi.
2	Robert Schuman.
3	Konrad Adenauer.

What do you know about the Economy Union?

Question 13

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.

The European Union: 28 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	Valetta		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	

Enlargement: from six to 28 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

EU15

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

The European Union: 500 million people – 28 countries



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

- Official candidate → Potential candidate
- European Council → Unanimity

Candidate countries

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

Potential candidate

- Bosnia and Herzegovina
- Kosovo

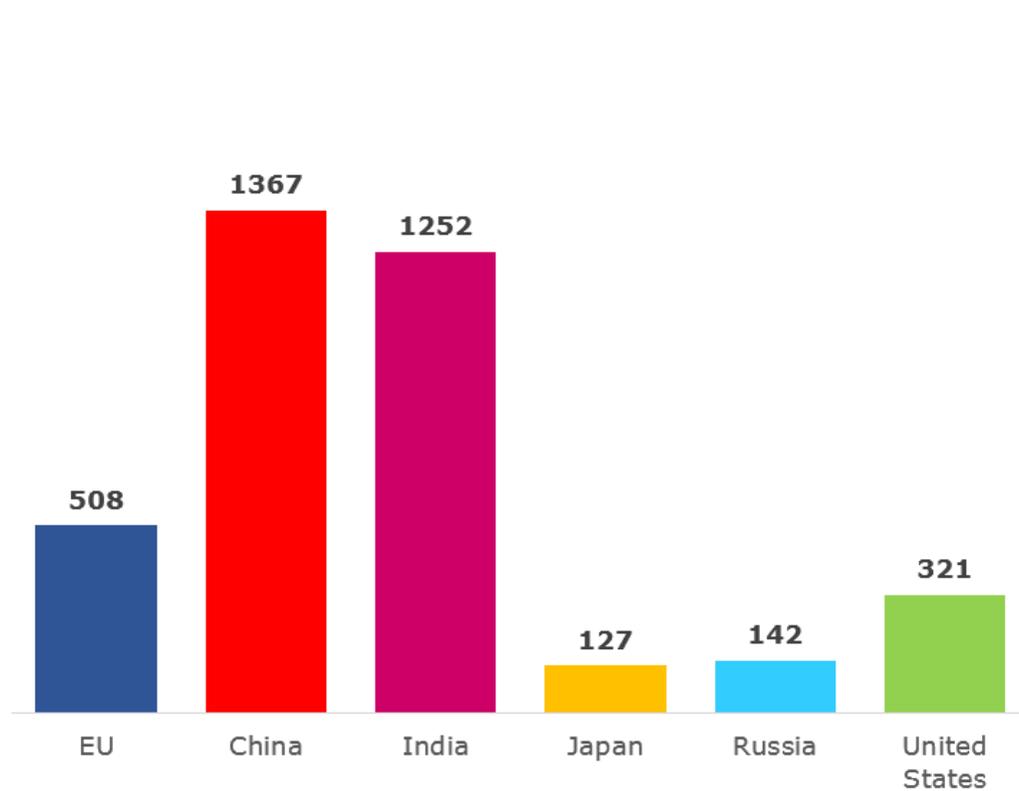
Member States of the European Union



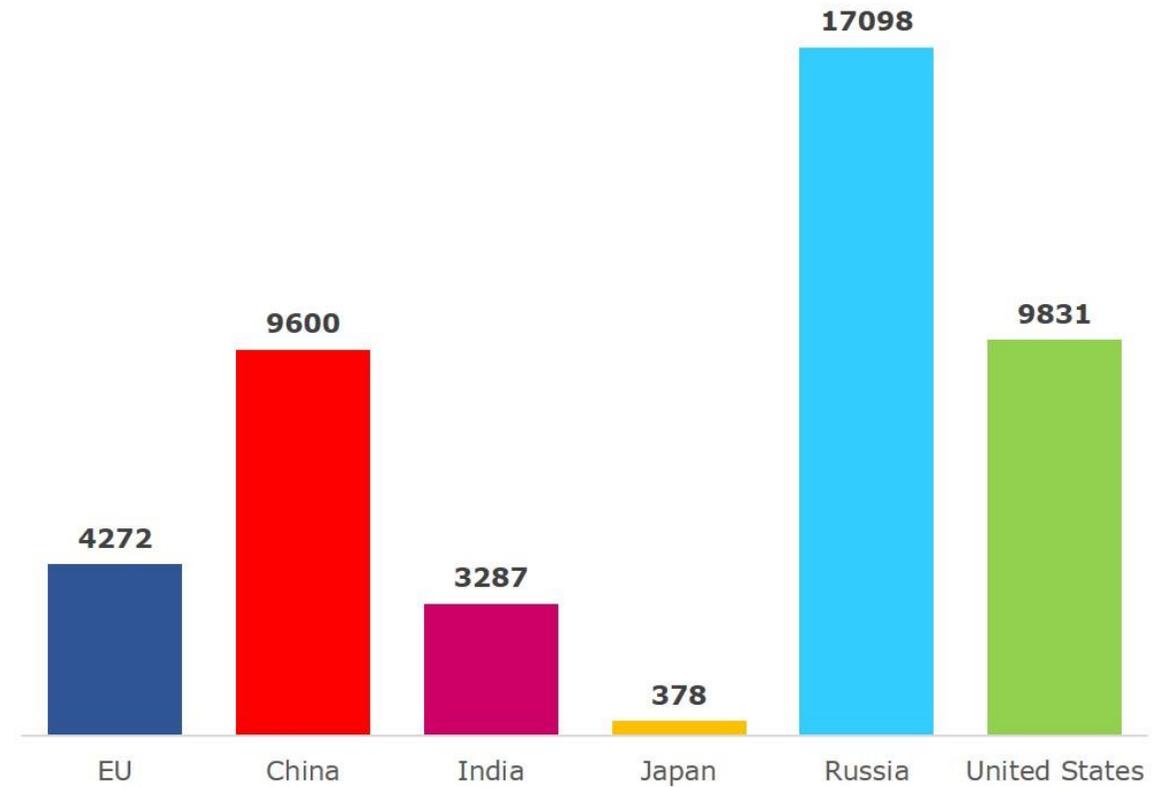
Candidate countries and potential candidates

EU compared to the rest of the world

Population in millions (2015)

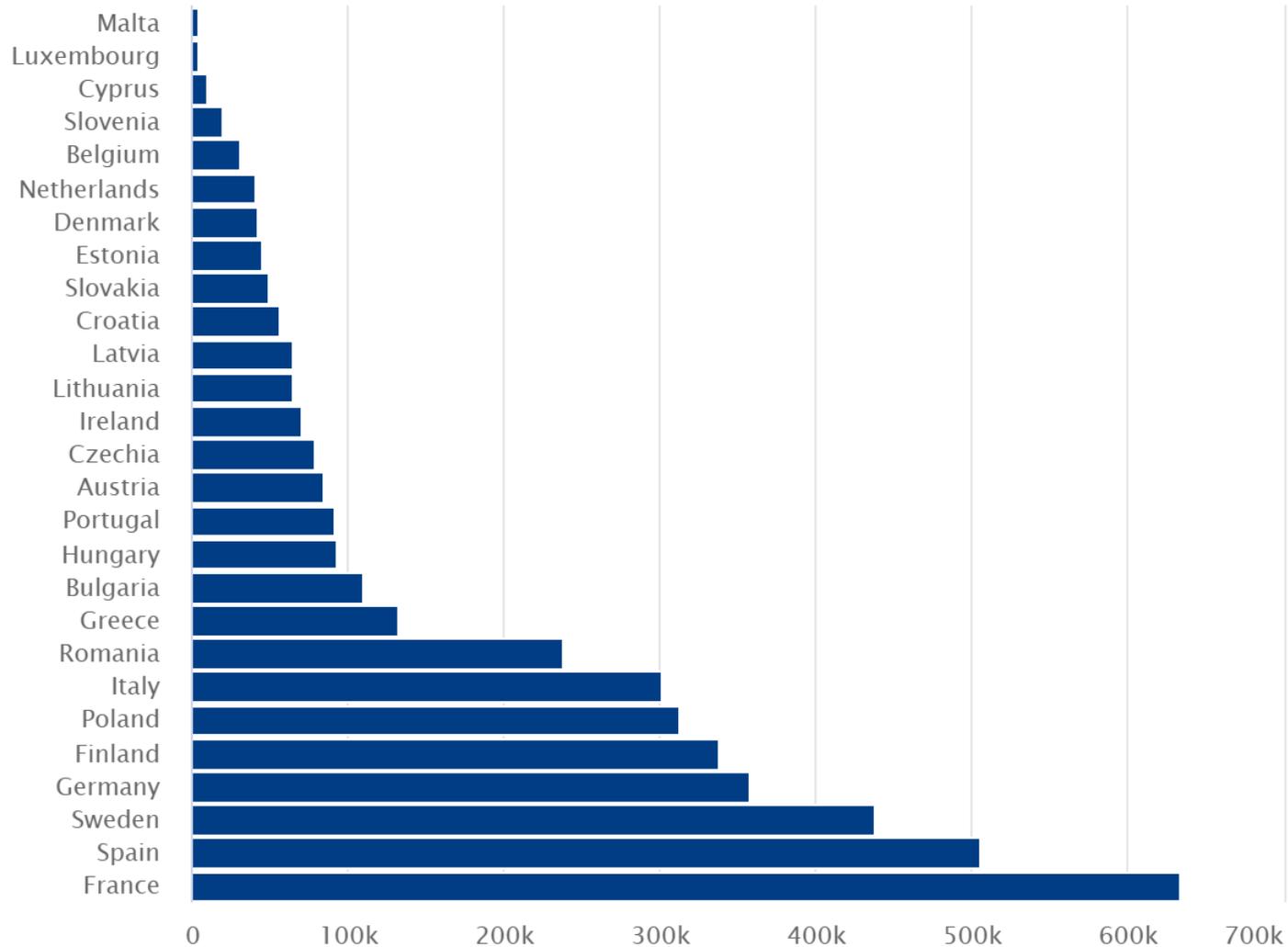


Surface area (x 1000 km²)



How big are the EU countries?

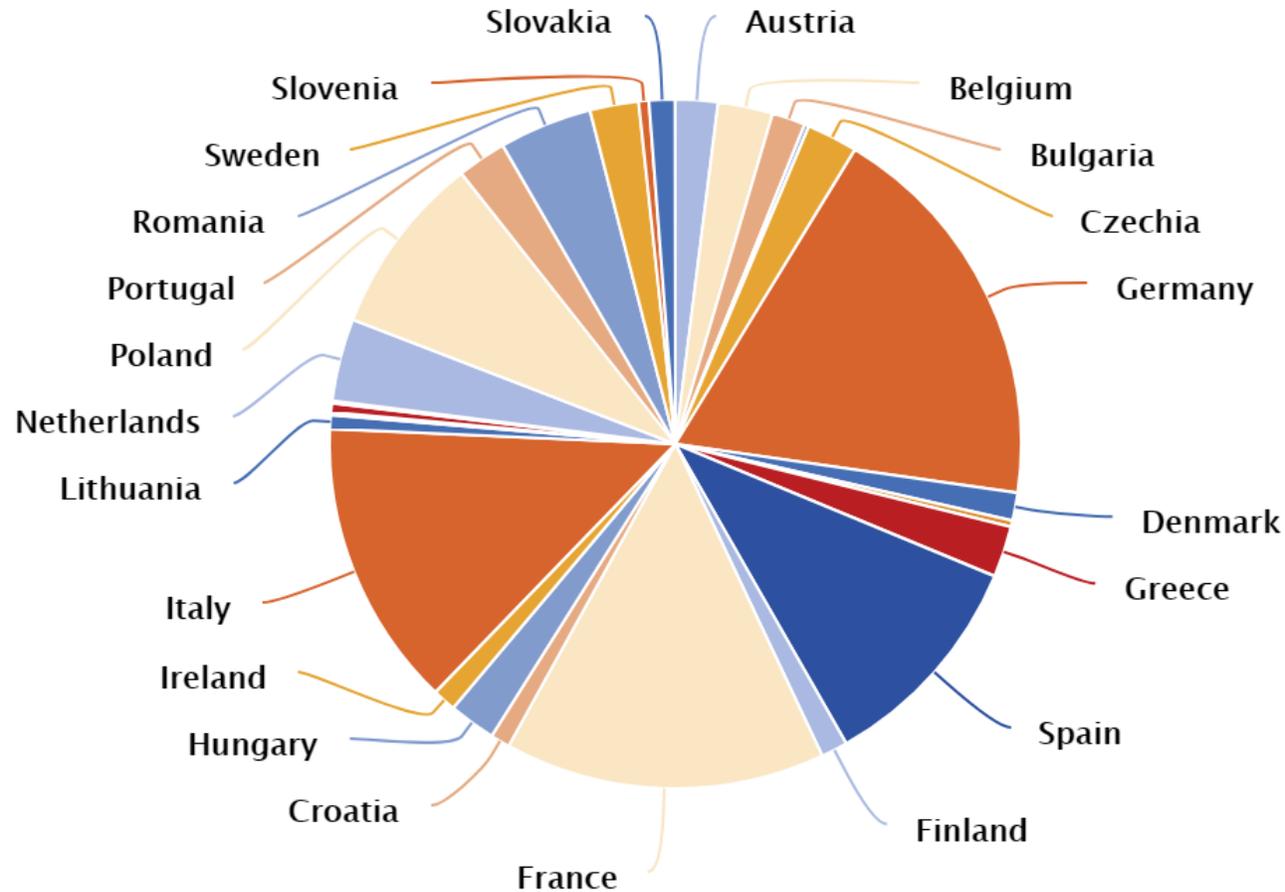
Surface area in thousands of square kilometres



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	35.4

How many people live in the EU?

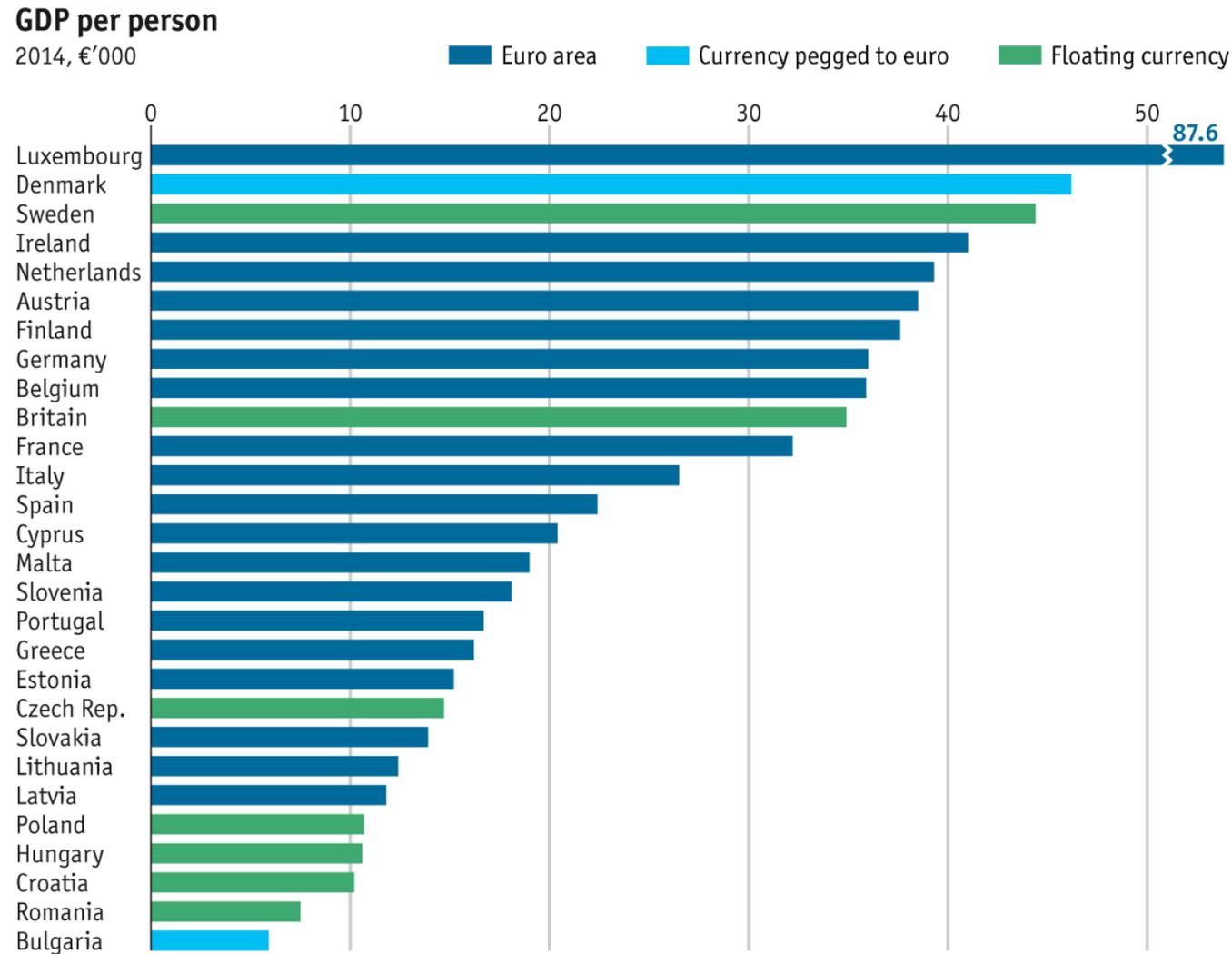
Population by country



Country	Surface (Square Km)
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

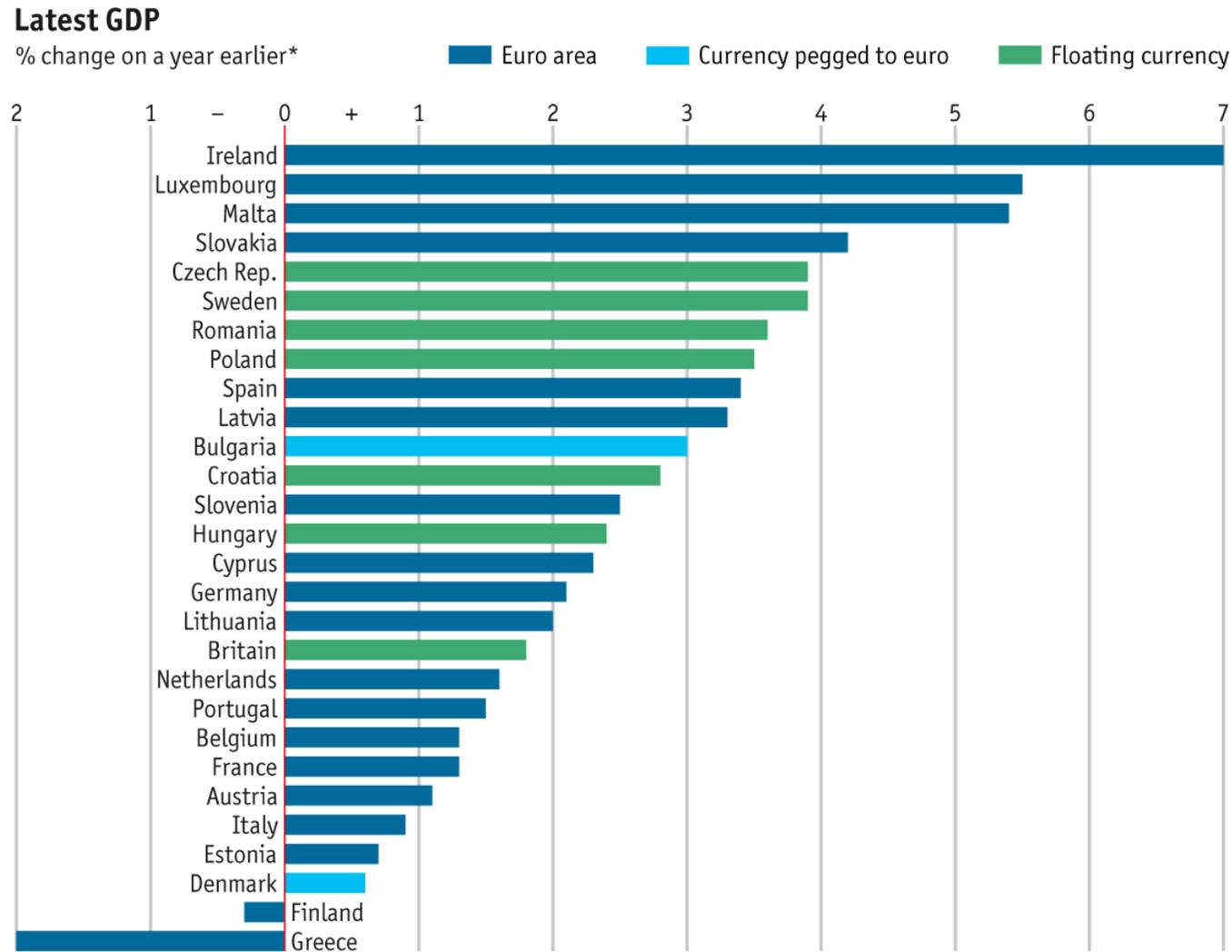
Gross Domestic Product (GDP) per person

2014, thousands €



GDP growth

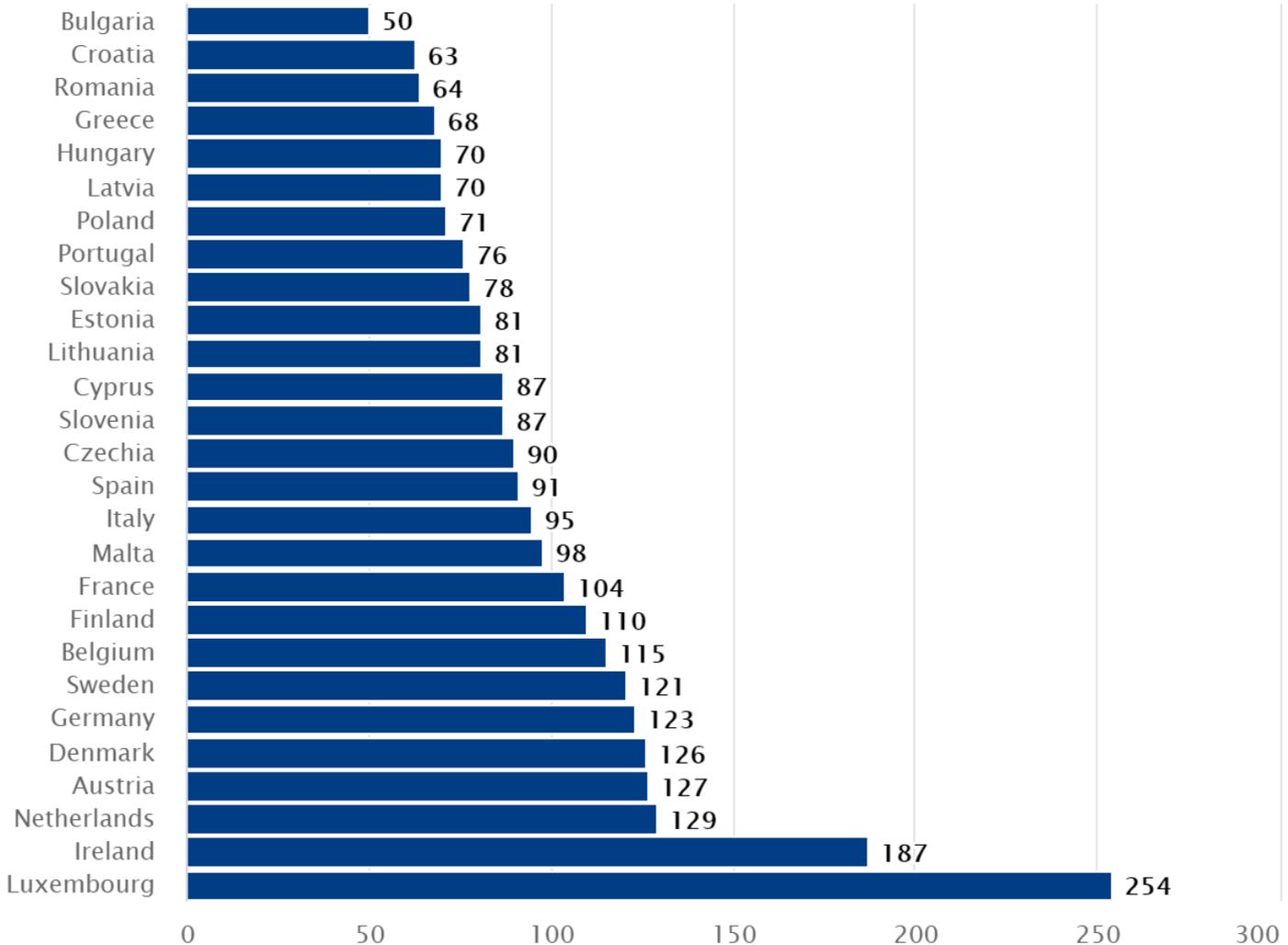
Q4 2015 or latest



Source: Extracted from The Economist (https://www.economist.com/blogs/dailychart/2010/12/europes_economies)

GDP per capita in PPS

GDP per capita in PPS



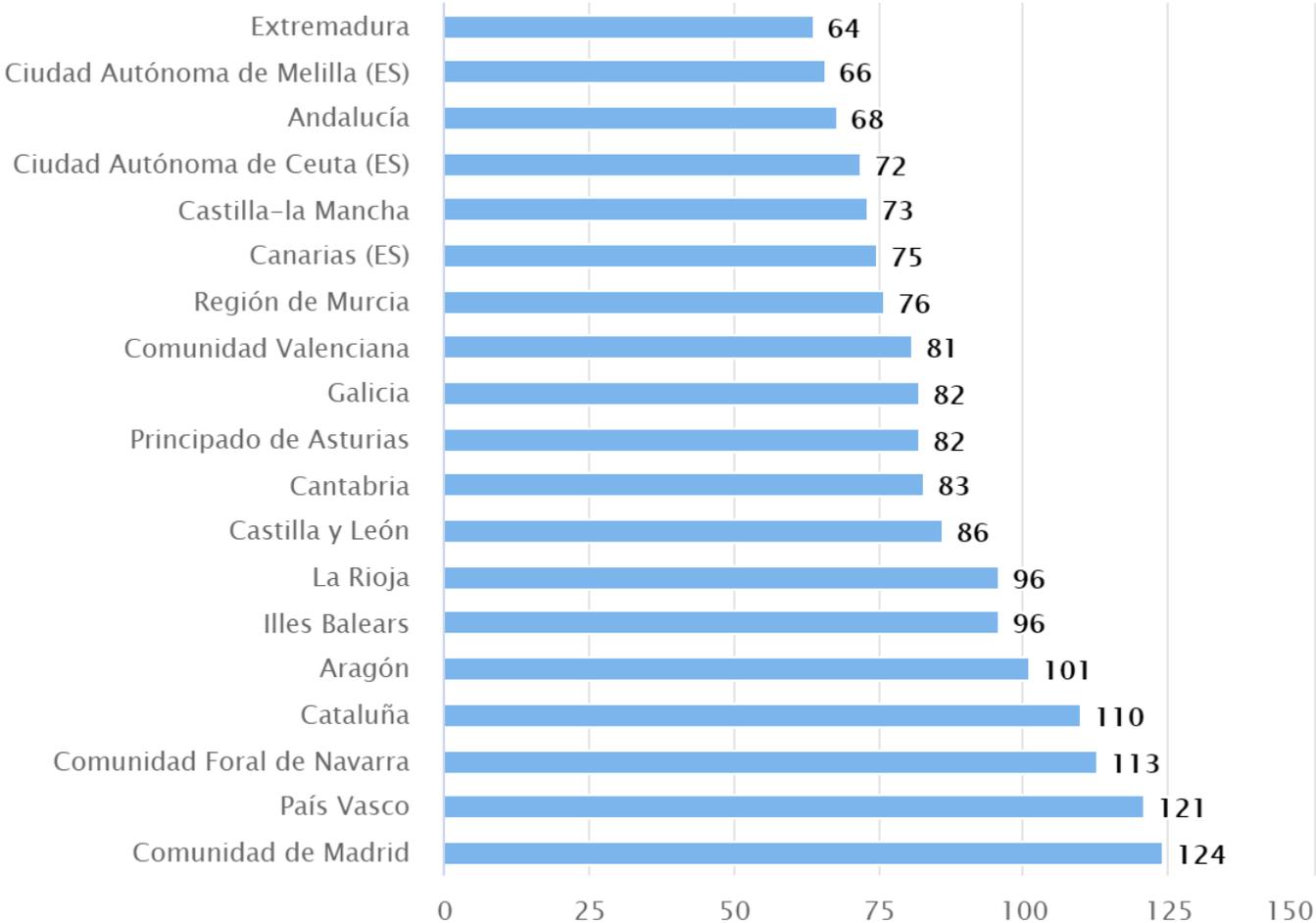
Quality of life

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.

Source: Extracted from The Economist (https://europa.eu/european-union/about-eu/figures/living_en)

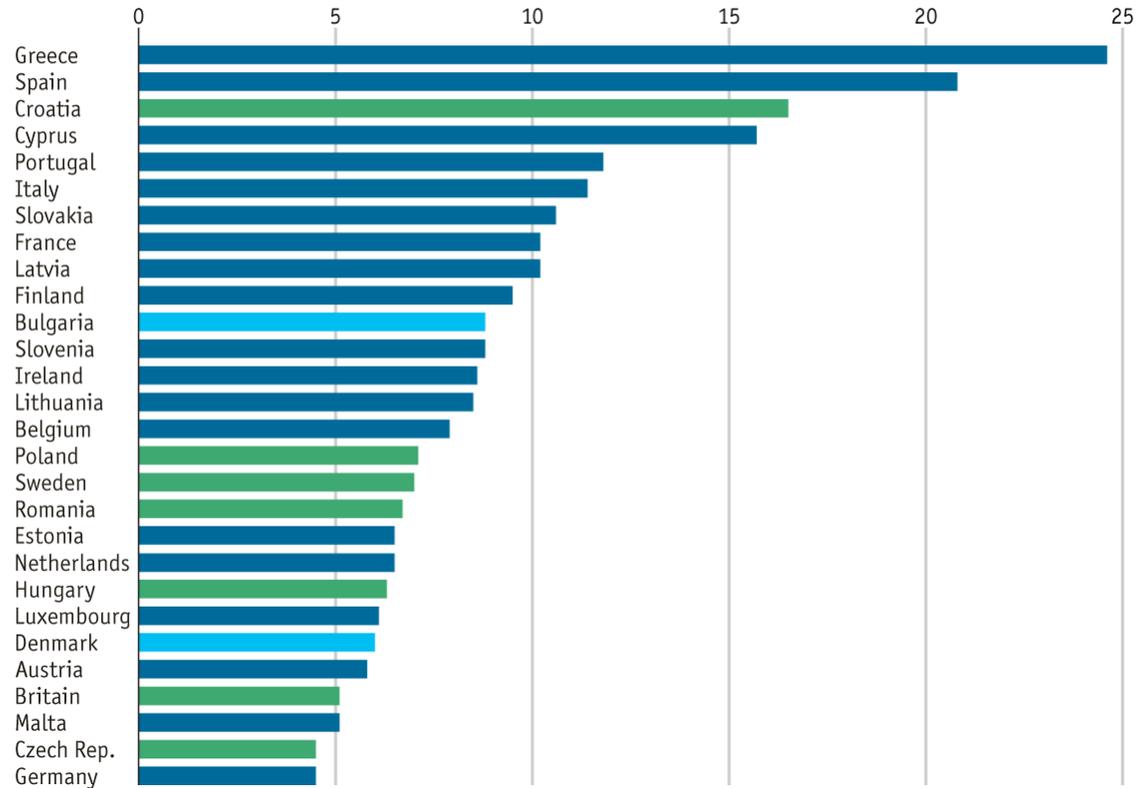
Unemployment rate

2016 or latest

Unemployment rate

January 2016 or latest, %

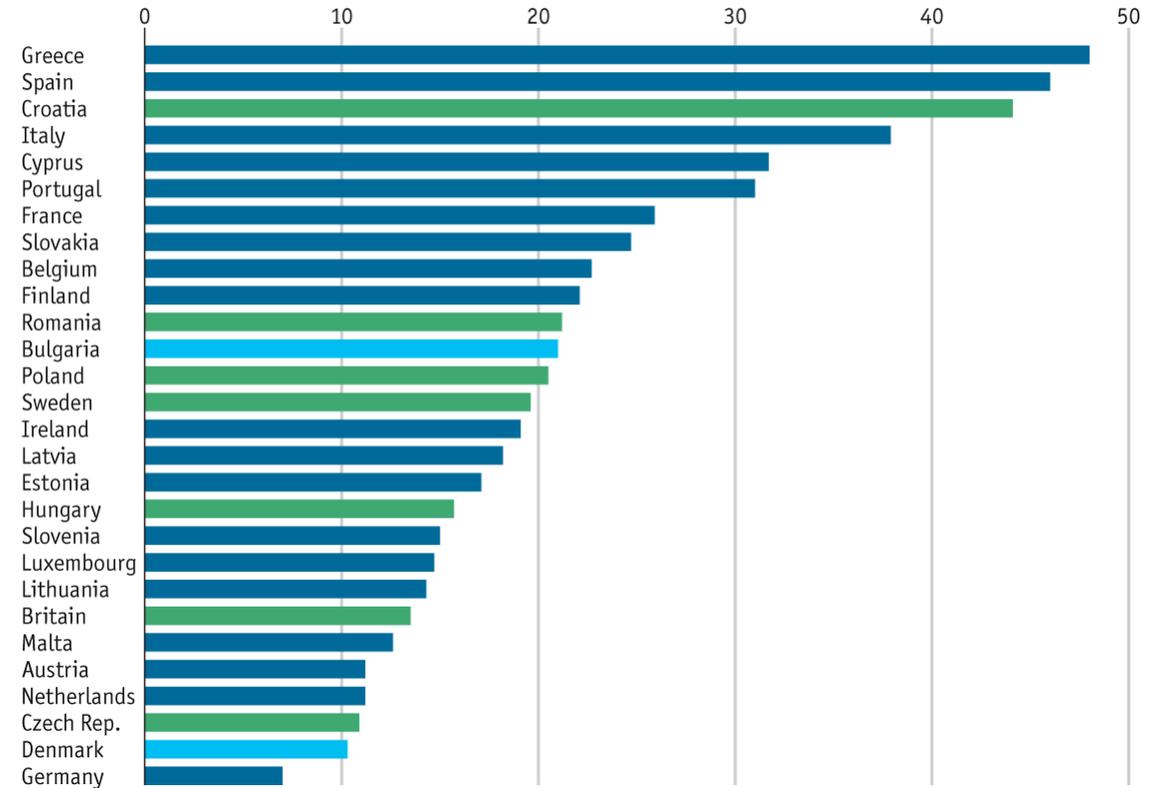
■ Euro area ■ Currency pegged to euro ■ Floating currency



Youth* unemployment rate

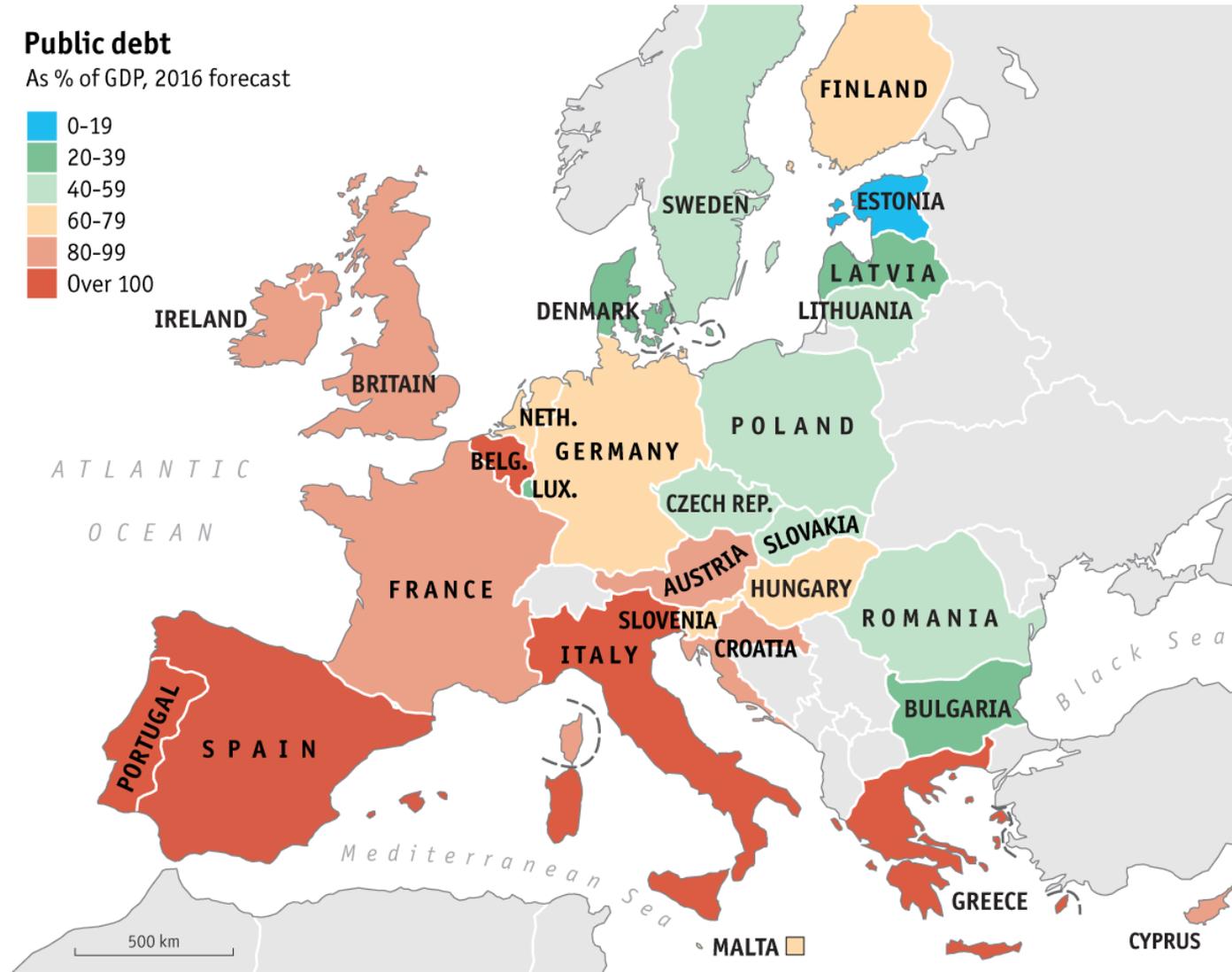
January 2016 or latest, %

■ Euro area ■ Currency pegged to euro ■ Floating currency



Public Debt

As % of GDP, 2016 forecast



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

EU institutions

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 Auditor
- 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.

EU Treaties

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

EU Treaties

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	Extension of European integration to include general economic cooperation . <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=

EU Treaties

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.

EU Treaties

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