

Semester Course for Master students on
The Economics of European Integration

- Module: M.WIWI-VWL.0169
- Lecture: Monday, 10:15-11:45, Start: October 24, 2022, Room: [PH20 \(Philosoph. Fak.\)](#)
- Tutorial: Tuesday, 12:15-13:45, Start: November 1, 2022, Room: [9.111 \(MZG/Blauer Turm\)](#)
- Lecturer: Prof Dr Florian Unger, florian.unger@uni-goettingen.de
- If you have any questions regarding the course, do not hesitate to contact me!
- Prerequisites: good knowledge in Microeconomics, basic knowledge in Econometrics; prior knowledge in international trade theory is an advantage, but no requirement

Overview

After periods of trade liberalization, many countries face rising resistance to globalization. One outstanding event in this context is the vote of the United Kingdom (UK) in June 2016 to leave the European Union (EU). More than six years after this event, the UK has left the EU and we observe the economic consequences of this decision.

This course deals with the economic consequences of the Brexit vote, with a special focus on international trade. We will ask the following questions:

- Which factors have caused the Brexit vote?
- What are the short-term and long-term economic consequences of Brexit?
- What are the options for the future EU-UK relationship?

To evaluate the effects of European (dis)integration, we will analyze and apply economic models of international trade and empirical methods. You will not only gain insights about Brexit and European integration but also learn how economists approach these questions. In particular, you will learn about:

- The economics of trade integration: What determines trade flows across countries? What are the effects of trade liberalization? Which gains from trade arise?
- Microeconomic models to evaluate patterns of trade and economic aspects of globalization
- Applications of econometric methods to estimate effects of trade

Structure of the course

Note that the course will not pursue a classical distinction between lectures and tutorials. To apply economic concepts and methods to the Brexit debate, the sessions will be divided into four categories:



Focus: Insights – You learn about important economic tools that are needed to answer the research questions related to Brexit.



Focus: Theory – You will deepen your knowledge about theoretical concepts provided in the Insights sessions (e.g. deriving effects of trade costs on trade flows in a theoretical model).



Focus: Empirics – You will apply empirical methods presented in the Insights sessions (e.g. estimating trade effects with real trade data) and compare the results to theoretical predictions.









Presentations – At the end of the course, you will present a scientific paper that addresses a topic related to Brexit. The presentation is a prerequisite to take the exam, but there will be no grade, only “pass” or “fail”.










Program and Literature









Note:

- The course will be taught in person as long as the pandemic situation allows.
- If in person meetings are not possible, we will use digital alternatives.
- Please regularly check the “Announcements” section of the course in StudIP for organizational updates.

References marked with [m] (=mandatory) will be discussed in the sessions. Papers marked with [o] (=optional) can be chosen for presentations, papers marked with [x] are already chosen by a student.

 <p>Focus: Insights</p>	<p>Session 1 – October 24, 2022: Introduction, history of European integration and development of Brexit</p> <ul style="list-style-type: none"> ➤ [m] Sampson, Thomas, 2017. “Brexit: The Economics of International Disintegration”, <i>Journal of Economic Perspectives</i> 31.4: 163-84.
 <p>Focus: Insights</p>	<p>Session 2 – October 25, 2022: Determinants of the Brexit vote</p> <ul style="list-style-type: none"> ➤ [m] Alabrese, Eleonora & Sascha O. Becker & Fetzer, Thiemo & Novy, Dennis, 2019. "Who voted for Brexit? Individual and regional data combined", <i>European Journal of Political Economy</i> 56(C): 132-150. ➤ [m] Arnorsson, Agust & Zoega, Gylfi, 2018. "On the causes of Brexit", <i>European Journal of Political Economy</i> 55(C): 301-323. ➤ [o] Becker, Sascha O. & Fetzer, Thiemo & Novy, Dennis, 2017. "Who voted for Brexit? A comprehensive district-level analysis", <i>Economic Policy</i> 32(92): 601-651.
 <p>Focus: Insights</p>  <p>Focus: Empirics</p>	<p>Session 3 – November 1, 2022: The short-term economic effects of the Brexit vote</p> <ul style="list-style-type: none"> ➤ [m] Davies, Ronald B. & Studnicka, Zuzanna, 2018. "The heterogeneous impact of Brexit: Early indications from the FTSE", <i>European Economic Review</i> 110(C): 1-17. ➤ [m] Born, Benjamin & Müller, Gernot & Schularick, Moritz & Sedlacek, Petr, 2019. The costs of economic nationalism: evidence from the Brexit experiment”, <i>The Economic Journal</i> 129(10): 2722-2744. ➤ [o] Breinlich, Holger & Leromain, Elsa & Novy, Dennis & Sampson, Thomas & Usman, Ahmed, 2018. "The economic effects of Brexit: evidence from the stock market", <i>Fiscal Studies</i> 39(4): 581-623. ➤ [o] Breinlich, Holger & Leromain, Elsa & Novy, Dennis & Sampson, Thomas, 2022. “The Brexit vote, inflation and U.K. living standards”, <i>International Economic Review</i> 63(1): 63-93. ➤ [o] Campos, Nauro F. & Coricelli, Fabrizio & Moretti, Luigi, 2019. "Institutional integration and economic growth in Europe", <i>Journal of Monetary Economics</i> 103(C): 88-104. ➤ [o] Fetzer, Thiemo & Whang, Shizhuo, 2020: “Measuring the Regional Economic Cost of Brexit: Evidence up to 2019”, <i>Warwick Economic Research Papers</i> No. 1280. ➤ [o] Breinlich, Holger & Leromain, Elsa & Novy, Dennis & Sampson, Thomas, 2020. "Voting with their money: Brexit and outward investment by UK firms", <i>European Economic Review</i> 124: 103400.
 <p>Focus: Insights</p>  <p>Focus: Theory</p>	<p>Sessions 4 & 5 – November 7 & 8, 2022: EU Trade Policy and Brexit scenarios</p> <ul style="list-style-type: none"> ➤ [m] Baldwin, R. & C. Wyplosz, 2015. “The Economics of European Integration”, Chapters 4 and 5. ➤ [m] Feenstra, R. C. & A. Taylor, 2015. “International Economics”, Chapter 8. ➤ [m] Helpman, E. & P. Krugman, 1989. “Trade Policy and Market Structure”, Chapter 2.

 <p>Focus: Insights</p>  <p>Focus: Theory</p>	<p>Sessions 6 & 7 – November 14 & 15, 2022: Estimating trade effects with gravity equations – Part 1</p> <ul style="list-style-type: none"> ➤ [m] Head, Keith & Mayer, Thierry, 2014. "Gravity equations: Workhorse, toolkit, and cookbook", Handbook of International Economics Vol. 4, Elsevier, 131-195. ➤ [m] Anderson, James E. & van Wincoop, Eric, 2003. "Gravity with gravitas: a solution to the border puzzle", American Economic Review 93.1: 170-192.
 <p>Focus: Empirics</p>	<p>Sessions 8 & 9 – November 21 & 22, 2022: Estimating trade effects with gravity equations – Part 2</p> <ul style="list-style-type: none"> ➤ [m] Head, Keith & Mayer, Thierry, 2014. "Gravity equations: Workhorse, toolkit, and cookbook", Handbook of International Economics Vol. 4, Elsevier, 131-195. ➤ [m] Anderson, James E. & van Wincoop, Eric, 2003. "Gravity with gravitas: a solution to the border puzzle", American Economic Review 93.1: 170-192.
 <p>Focus: Insights</p>  <p>Focus: Empirics</p>	<p>Sessions 10 & 11 – November 28 & 29, 2022: The long-term economic effects of the Brexit vote – Part 1: reduced form evidence and the gravity equation</p> <ul style="list-style-type: none"> ➤ [m] Baier, Scott L., et al., 2008. "Do economic integration agreements actually work? Issues in understanding the causes and consequences of the growth of regionalism", World Economy 31.4: 461-497. ➤ [m] Dhingra, Swati, et al., 2017: "The costs and benefits of leaving the EU: trade effects", Economic Policy 32.92: 651-705, section 6.2. ➤ [o] Baier, Scott L., & Bergstrand, Jeffrey H., 2007. "Do free trade agreements actually increase members' international trade?", Journal of International Economics 71.1: 72-95. ➤ [o] Baier, Scott L. & Bergstrand, Jeffrey H. & Feng, Michael, 2014. "Economic integration agreements and the margins of international trade", Journal of International Economics 93.2: 339-350.
 <p>Focus: Insights</p>  <p>Focus: Theory</p>	<p>Sessions 12 & 13 – December 5 & 6, 2022: The long-term economic effects of the Brexit vote – Part 2: gravity equation and general equilibrium models of international trade</p> <ul style="list-style-type: none"> ➤ [m] Eaton, Jonathan & Kortum, Samuel, 2002. "Technology, geography, and trade", Econometrica 70.5: 1741-1779. ➤ [o] Oberhofer, Harald & Pfaffermayr, Michael, 2021. "Estimating the trade and welfare effects of Brexit: A panel data structural gravity model", Canadian Journal of Economics 54: 338-375. ➤ [o] Freeman, R., Manova, K., Prayer, T., & Sampson, T., 2022. "Unravelling deep integration: UK trade in the wake of Brexit", Working Paper, London School of Economics and Political Science.
 <p>Focus: Insights</p>  <p>Focus: Empirics</p>	<p>Sessions 14 & 15 – December 12 & 13, 2022: The long-term economic effects of the Brexit vote – Part 3: general equilibrium models of international trade and simulation of Brexit scenarios</p> <ul style="list-style-type: none"> ➤ [m] Eaton, Jonathan & Kortum, Samuel, 2002. "Technology, geography, and trade", Econometrica 70.5: 1741-1779. ➤ [m] Dhingra, Swati, et al., 2017. "The costs and benefits of leaving the EU: trade effects", Economic Policy 32.92: 651-705. ➤ [o] Felbermayr, Gabriel & Gröschl, Jasmin & Steininger, Marina, 2021. "Quantifying Brexit: from ex post to ex ante using structural gravity", Review of World Economics. ➤ [o] Mayer, Thierry & Vicard, Vincent & Zignago, Soledad, 2019: "The cost of non-Europe, revisited", Economic Policy 34.98: 145-199.

 <p>Focus: Insights</p>  <p>Focus: Empirics</p>	<p>Sessions 16 & 17 – December 19 & 20, 2022: Macroeconomic consequences of Brexit</p> <ul style="list-style-type: none"> ➤ [m] De Lyon, Josh & Swati, Dhingra, 2021. “The Impacts of Covid-19 and Brexit on the UK Economy: Early Evidence in 2021”, Centre for Economic Performance, London School of Economics and Political Science, 2021. ➤ [o] Fetzer, Thiemo, 2019. “Did austerity cause Brexit?”, American Economic Review, 109(11), 3849-86. ➤ [o] McGrattan, E.R. & Waddle, A., 2020. “The impact of Brexit on foreign investment and production”, American Economic Journal: Macroeconomics 12(1): 76-103.
 <p>Focus: Insights</p>  <p>Focus: Theory</p>	<p>Sessions 18 & 19 – January 9 & 10, 2023: Market integration and imperfect competition</p> <ul style="list-style-type: none"> ➤ [m] Baldwin, R. & C. Wyplosz, 2015. “The Economics of European Integration”, Chapters 6 and 11. ➤ [o] Bloom, Nicholas et al., 2019. “The impact of Brexit on UK Firms”, NBER Working Paper No. 26218. ➤ [o] Hassan, T.A., Hollander, S., Van Lent, L. & Tahoun, A., 2021. “The global impact of Brexit uncertainty”, NBER Working Paper No. 26609, National Bureau of Economic Research. ➤ [o] Fernandes, A.P. and Winters, L.A., 2021. “Exporters and shocks: The impact of the Brexit vote shock on bilateral exports to the UK”, Journal of International Economics 131: 103489
 <p>Focus: Insights</p>  <p>Focus: Empirics</p>	<p>Sessions 20 & 21 – January 16 & 17, 2023: European labour markets and the effects of migration</p> <ul style="list-style-type: none"> ➤ [m] Dustmann, Christian & Frattini, Tommaso & Preston, Ian P., 2013. "The effect of immigration along the distribution of wages", Review of Economic Studies 80.1: 145-173. ➤ [m] Wadsworth, Jonathan, et al., 2016. "Brexit and the impact of immigration on the UK." Centre for Economic Performance. LSE: 34-53 ➤ [o] Manacorda, Marco & Manning, Alan & Wadsworth, Jonathan, 2012. "The impact of immigration on the structure of wages: theory and evidence from Britain", Journal of the European Economic Association 10.1: 120-151. ➤ [o] Dustmann, Christian & Frattini, Tommaso, 2014. "The fiscal effects of immigration to the UK", The Economic Journal 124.580: F593-F643. ➤ [o] Costa, Rui & Dhingra, Swati & Machin, Stephen, 2019. "Trade and worker deskilling", NBER Working Paper No. 25919, National Bureau of Economic Research. ➤ [o] Javorcik, B., Stapleton, K., Kett, B. & O’Kane, L., 2022. “Unravelling deep integration: Local labour market effects of the Brexit vote.” CEPR Discussion Paper 14222.
 <p>Presentations</p>	<p>Sessions 22 & 23 – January 23 & 24, 2023: Presentations Part 1</p>
 <p>Presentations</p>	<p>Sessions 24 & 25 – January 30 & 31, 2023: Presentations Part 2</p>
	<p>Sessions 26 & 27 – February 6 & 7, 2023: Repetition and exam preparation</p>
	<p>Exam – February 20, 2023, 10:00-11:30</p>
	<p>Second Exam – March 27, 2023, 10:00-11:30</p>