



Contents

List of Tables and Figures	x
List of Case Studies	xiii
Preface	xv
Acknowledgements	xvii
How to Read this Book	xix
List of Abbreviations	xx
Part 1 Foundation	1
Chapter 1 What is Economic Integration?	2
1.1 Definition and significance	2
1.2 Economic and political integration	3
1.3 Market integration and other forms	6
1.4 Stages of economic integration	7
1.5 Economic integration and the WTO	9
1.6 Economic integration and economic federalism	11
1.7 Summary	12
Appendix 1.1 European institutions – a brief guide	13
Appendix 1.2 The European Constitution (to be ratified)	15
Appendix 1.3 Deepening, widening and enlargement of the EU	16
Chapter 2 Economic Constitution of the EU	18
2.1 An economic constitution for integration	18
2.2 The economic constitution in the Rome Treaty	20
2.3 The value-added of the Single European Act	25
2.4 The Maastricht Treaty	28
2.5 The incrementalism of the Amsterdam Treaty	32
2.6 Summary	35
Chapter 3 Subsidiarity and Union Economic Functions	36
3.1 Basic economics of multi-tier government	36
3.2 A subsidiarity test for the Union	40
3.3 Application of the subsidiarity test	43
3.4 Subsidiarity and EU efficiency	44
3.5 Subsidiarity and EU equity	49
3.6 Subsidiarity, macroeconomic stabilisation and fiscal powers	50
3.7 Summary	51

Chapter 4	The Economics of EU Regulation	53
4.1	Why should the EU regulate?	54
4.2	The regulatory <i>acquis</i> in the internal market	60
4.3	At what level and how should the EU regulate?	62
4.4	EU risk regulation	71
4.5	Is the EU over- or underregulated?	76
4.6	Summary	78
Part 2	Internal Market	79
Chapter 5	Goods Market Integration: Method	80
5.1	Framework for goods market integration	80
5.2	Building the customs union	84
5.3	From customs union to goods market integration	87
5.4	Removing barriers in the internal market	92
5.5	Summary	98
Chapter 6	Goods Market Integration: Economic Impact Analysis	100
6.1	Basic theory of customs union	100
6.2	Customs union and technical efficiency	104
6.3	Customs union and decreasing costs	106
6.4	Empirical studies of the early EU	108
6.5	Pro-competitive effects of a single goods market	110
6.6	Macroeconomic impact of market integration	116
6.7	Economic potential for further deepening	120
6.8	Summary	123
Chapter 7	Services Market Integration: Method and Economic Analysis	125
7.1	A primer on internal market services	126
7.2	Method of achieving services market integration	128
7.3	Financial services: the EU regulatory framework	136
7.4	Financial services: the economic impact	142
7.5	Road haulage	145
7.6	Summary	149
Chapter 8	The Internal Market for Network Industries	151
8.1	Network industries and the EC treaty	151
8.2	The economics of network industries	153
8.3	Air transport	160
8.4	Telecoms	168
8.5	Summary	172
Chapter 9	Factor Market Integration: Method	174
9.1	Financial market integration: deepening and widening	175
9.2	Labour	178

9.3	Technology and commercial ideas	187
9.4	Corporate control and mobility of tangible assets	189
9.5	Summary	195
Chapter 10	Factor Market Integration: Economic Analysis	197
10.1	Factor mobility in simple two-country models	197
10.2	Economic significance of factor market integration	199
10.3	The EU financial capital market	201
10.4	An emerging Euro-labour market?	203
10.5	An EU market for technology?	206
10.6	Europeanisation of business	209
10.7	Locational competition for mobile assets	213
10.8	Summary	214
Part 3	Common Policies	217
Chapter 11	Common Agricultural Policy	218
11.1	A case for the CAP?	218
11.2	Objectives, principles and instruments	220
11.3	Income protection, alternative CAP methods	222
11.4	Assessing the CAP before the reforms	229
11.5	Reforming the CAP	233
11.6	Summary	240
Chapter 12	EC Competition Policy	242
12.1	Why EC competition policy?	242
12.2	The Community's competition regime	245
12.3	Anti-collusion policy	248
12.4	Anti-monopoly policy	254
12.5	Merger control	257
12.6	Controlling state aids	262
12.7	Summary	265
Chapter 13	Common Trade Policy	267
13.1	Why a common trade policy?	268
13.2	Principle, objectives and instruments	270
13.3	Types of EU trade policy	271
13.4	Tariff protection	271
13.5	Volume protection	273
13.6	Anti-dumping: trade policy instead of competition policy	276
13.7	Preferential trade policy	279
13.8	Multilateral trade policy	287
13.9	Summary	291
Chapter 14	EU Industrial Policy	293
14.1	How to justify industrial policy	293
14.2	Why a common industrial policy?	299
14.3	Sector policies	301

14.4	Policies stimulating the EU knowledge economy	305
14.5	Horizontal policies	313
14.6	Summary	314
Part 4	Equity and Stabilisation	317
Chapter 15	Social Equity for the Union?	319
15.1	Subsidiarity and the social <i>acquis</i>	320
15.2	The modest social <i>acquis</i> of the Union	327
15.3	Social dilemmas for the Union	330
15.4	Summary	335
Chapter 16	The Economics of Cohesion	337
16.1	The economic cohesion pursued by the EU	337
16.2	Convergence and divergence in economic theory	339
16.3	How the internal market promotes cohesion	342
16.4	Are the EU Funds effective?	343
16.5	Designing effective cohesion policies	348
16.6	Summary	355
Chapter 17	European Macroeconomic Cooperation	356
17.1	Macroeconomic cooperation under the Rome Treaty	357
17.2	Autonomy versus cooperation in an open economy asset markets model	358
17.3	Credibility and macroeconomic cooperation	363
17.4	The European Monetary System	365
17.5	Why beyond the EMS?	376
17.6	Summary	377
Chapter 18	Economic and Monetary Union	379
18.1	Economic union	380
18.2	The costs and benefits of monetary union	385
18.3	Towards monetary union	394
18.4	What kind of monetary union?	401
18.5	Monetary and fiscal policies in the eurozone	402
18.6	External aspects of the euro	407
18.7	Summary	408
Chapter 19	Assessing the EU Budget	411
19.1	Politics versus economics of the EU budget	411
19.2	Subsidiarity and EU budget functions	413
19.3	Today's EU budget under scrutiny	414
19.4	The Union's (own?) revenues	420
19.5	The future role of the EU budget	422
19.6	Summary	424

CHAPTER 20 EU Enlargement: Methods and Economic Analysis 426

20.1 The enlargement dynamics of the EU	427
20.2 The Union's enlargement strategy	433
20.3 The eastern enlargements	435
20.4 Beyond the EU27	443
20.5 Summary	446

Bibliography	448
--------------	-----

Index	467
-------	-----