

## **SPANISH ECONOMICS WITHIN THE EUROPEAN UNION BOSTON UNIVERSITY - MADRID (FALL 2019)**

Course Number: TBA

Instructor: Jorge Martin, PhD

Email: [jorgec.martinhidalgo@gmail.com](mailto:jorgec.martinhidalgo@gmail.com)

Office Hours: Thursday afternoons or by appointment

Office Location: Instituto Internacional, 4<sup>th</sup> floor, Madrid (Spain)

Room: TBA, 17:30 – 19:00 Tuesdays and Thursdays

Credits: 4 (course taught in English, 3 contact hours per week for 14 weeks)

### **COURSE OVERVIEW AND CONTENT**

*Spanish Economics within the European Union* is an introductory course that explores recent Spanish economic development from the end of Franco's dictatorship (1975) to the present day. The last 40 years, with its highs and lows, have been broadly acknowledged as the most prosperous period in contemporary Spanish history. This social, political and economic progress could not be understood without examining the critical role played by the European institutions throughout this period. Therefore, the course examines the relevant part played by the European political and economic integration process in Spain, since the country became a full member in 1986 (and vice versa).

The course will first introduce students to the basic theoretical concepts and framework of economics in order to make the most out of the four subsequent sections in which this course is divided. The first section will focus on Spain's modernization efforts after regaining democracy in 1975, the main economic drivers behind its growth and its role in the European economic and monetary union. The second section will cover the productive structure, main industries, foreign trade -inside and outside the European Union- and international expansion. The third section will focus on the particularities of Spain's labour market, the financial system and the importance of the public sector and the welfare state. The fourth section will cover the prelude and impact of the financial crisis of 2008.

We will cover key economic issues which are of interest to students interested in Spanish -and more broadly- European economics. The course combines a basic mathematical treatment of economic theory with applied analysis of economic policies, as well as illustrative case studies that will be discussed in class. Amongst others, we will focus on some specific and fundamental European policies, occasionally misunderstood outside Europe, such as the Common Agricultural Policy, the European Monetary Union and the Spanish welfare state.

### **LEARNING OBJECTIVES**

From a theoretical perspective, the objectives that the students will achieve are threefold:

1. Understand the evolution and drivers of economic growth and structural shift experienced by the Spanish economy in recent years, as well as the problems and challenges confronted today by the country's economy.
2. Analyze the basic structural characteristics of the different productive areas, their interconnection with the rest of the economic system and the public policies supporting them.
3. Examine how the factor market works in Spain (capital, labour and land) and its trade opening concretized through integration in the European Union.

The selection of topics included in *Spanish Economics within the European Union* allows students to gain a better understanding of the recent economic events that have occurred in the Spanish economy while learning about economic analysis. In particular, this class offers a retrospective view of the economy in order to better understand Spain’s current situational challenges. From this perspective, students will examine the processes experienced by the Spanish economy, both in the long and short term (economic growth, structural transformations and institutional aspects), all within the context of integration in Europe and globalization of the international economy.

By the end of the semester, students will be able to analyse and interpret economic reports, media news and articles, and identify current principle economic issues while extrapolating their potential outcomes and impacts on a country’s/region’s economy. Students will become familiar with relevant measures of Spain’s economic performance (GDP, inflation, unemployment, household’s income/expenses, public sector, balance of trade, labour productivity...) as well as the main economic institutions in both Spain and the European Union.

Students will acquire skills in the management and interpretation of relevant economic information sources, statistical sources and databases for the study of the Spanish economy. They will improve their written and oral expression as well as their ability to present and defend arguments.

**COURSE PREREQUISITES**

*Spanish Economics within the European Union* is an introductory course, therefore it is not required to have previous knowledge in the field. It is, however, recommended (though not mandatory) to have a basic understanding of statistics (Simon, C., & Blume, L. “Mathematics for Economists”, New York: Norton, 1994), and macroeconomics (Krugman, P. and Wells, R. “Macroeconomics”, New York: Worth Publishers, 3rd Ed. 2013), as well as a logical/analytical approach to learning.

**APPROACH TO LEARNING**

Given the nature of the topic and the structure of the course, students are expected to spend a minimum of 3-5 hours of independent study every week (this is in addition to the 3 contact hours of class over 14 weeks). The course alternates between lectures, case studies and group discussions. This includes several off-site class visits that will enrich the course and give students a contextualized learning experience.

These classes held off-site are required for students and will impact the participation grade (attendance is mandatory). Field trips and excursions will be representative of everyday institutions of the economic life of the country and will be organized on a tentative basis subject to availability of each institution (e.g. examples of on-site *Banco de España*, *Museo-Casa de la Moneda*, the Madrid Stock Exchange (*Bolsa de Madrid*) and currently-operating industrial/financial firms mainly located in Madrid). Efforts will be made to make these field trips available in English.

**GRADING AND ASSIGNMENTS**

Grades in this course will be based on the following criteria:

Attendance and active participation	15%
Midterm Exam	25%
Final Exam	30%
Oral Team Presentations (2)	30% (15% each)
<b>Total</b>	<b>100%</b>

**Attendance and participation:** This course is designed in a way that assigns an important role to the participation of each student during class. It is important to be pro-active by asking questions, making relevant comments and adding personal views on the topics discussed. Students are expected to participate actively by having read the

material in advance, taking an active role in group discussions, and teamwork. Your overall participation will count towards the final grade of this course.

**Midterm exam:** The midterm consists of a series of exercises and open-ended questions covering the main topics of the course. Material not covered during the class but assigned as reading may be on the test. The exam is closed book and closed notes. The Midterm exam will take place on October 31st, 2019.

**Final Exam:** The final exam follows a similar format to the midterm (exercises and open-ended questions). Material not covered during the class but assigned as reading may be on the exam. Topics discussed during the oral presentations and off-site class visits may also be on the exam as well. The final exam is non-cumulative.

**Oral presentations (2):** Students are required to deliver two oral presentations, the first prior to the midterm exam and the second prior the final exam. The oral presentations will consist of the following:

1. Analysis of one or more of the "Spanish economic peculiarities." This analysis should focus on the historical and/or idiosyncratic factors that caused that peculiarity, establish differences/similarities as compared with other countries within the European Union, as well as consequences and potential solutions. These peculiarities (topics) will be discussed on the first day of class but some examples include: labour market, real estate market, causes and consequences financial crisis, inequality of income/wealth, economic impact after integration in the EU, etc.
2. Selection (per team) of a set of 5 different companies of the domestic stock exchange index IBEX-35 (benchmark) and conform a portfolio whose performance and volatility (risk) will be compared on a monthly basis with the other team's portfolios. Each team will be expected to explain the rationale behind the selection of each firm within its own portfolio and give an update on the portfolio's performance against the benchmark at the end of the term.

Some research material will be provided by the instructor, but each team will have to do its own independent research and cite it accordingly in the bibliography. It will be scheduled for students to have some time during class to prepare both presentations so the instructor can answer questions and provide guidance/feedback.

Both presentations will be submitted to the instructor via e-mail no later than 12:00am on the Sunday immediately before the midterm and final exam, respectively. Teams must be ready to give their respective presentations (max. 15') on the day before the exam.

### Course Pack

The instructor will provide students with a course material packet that will include: class notes on PowerPoint slides, articles from various financial journals, current news articles, and other relevant texts.

## COMMUNITY OF LEARNING: CLASS AND UNIVERSITY POLICIES

**Participation:** This course is designed in a way that assigns an important role to the participation of each student during class. It is important to be pro-active by asking questions, making relevant comments and adding personal views on the topics discussed. Students are expected to participate by having read the material in advance, taking an active role in group discussions, and working as a team. Your overall participation will count towards the final grade of this course.

**Class Etiquette:** BU Madrid policy states that the use of laptops and cell phones is completely prohibited during class unless you have an academic accommodation previously authorized. Compliance with this policy has a bearing on the participation grade.

**Attendance and Absences:** Attendance is mandatory in class and on class field trips/ off-site visits. Students are expected to stay informed of lecture notes and class announcements for any missed class meetings. Absences are only excused for medical reasons, observance of religious holidays, or other justifications

according to university policy ([Policy on Religious Observance](#)); personal travel does not constitute an excused absence.

**Accommodations for Students with Documented Disabilities:** If you are a student with a disability or believe you might have a disability that requires accommodations, please contact the Office for Disability Services (ODS) at (617) 353-3658 to coordinate any reasonable accommodation requests.

**Academic Conduct Statement:** It is every student’s responsibility to read the Boston University statement on plagiarism, which is available in the Academic Conduct Code. Students are advised that the penalty against students on a Boston University program for cheating on examinations or for plagiarism may be “...expulsion from the program or the University or such other penalty as may be recommended by the Committee on Student Academic Conduct, subject to approval by the Dean.” Review the entire Academic Conduct Code here: <http://www.bu.edu/academics/resources/academic-conduct-code/>

### COURSE CALENDAR

The instructor reserves the right to modify the syllabus, class schedule, course assignments and requirements for purposes of aiding the achievement of course goals and objectives. New arrangements will not alter the topics discussed, but rather the off-site visits and relevant news that may arise during the semester. Any changes will be announced in class in advance.

Week	Contents	Assignments
1	Intro. to Economics (1): Scarcity, demand, supply, labour markets and growth. Topic discussion: Why growth as a measure of development? Introduction to the oral assignments.	Ch. 1&3 Krugman and Wells.
2	Intro. to Economics (2): Unemployment, inflation, trade and paradigms. Topic discussion 1: Keynesianism vs. Neoclassics. Topic discussion 2: Protectionism vs. free trade.	Ch. 5, 16&8 Krugman and Wells.
3	Intro. to Economics (3): Monetary policy, exchange rates and fiscal policy. Topic discussion: non-orthodox monetary policy.	Ch. 13&15 Krugman and Wells.
4	Recent economic history of Spain: 1975-today.	Ch.17 Tortella.
5	The integration process in the European Economic Community. Off-site visit.	Jerez-Mir et al.
6	Economic modernization in Spain: factors, trends, fluctuations and imbalances. Topic discussion: Public debt.	Ch. 1 Myro et al.
7	Economic structure in Spain: productivity, foreign trade inside and outside the European Union and corporate expansion. Oral Presentation of the 1 <sup>st</sup> assignment. <b>Q&amp;A before the midterm exam.</b> <b>Midterm Exam: Thursday, 31st October</b>	Ch. 4 Myro et al.
8	The labour markets. The financial system in Spain. Topic discussion: Impact of demographic factors in the labour market. Topic discussion: Pros and cons of a public banking system: las cajas de ahorro. Off-site visit.	Ch. 7&8 Myro et al.
9	Public sector, budget and distribution of income. Off-site visit	Ch.9 Myro et al.
10	Welfare State in Spain and official development aid. Main recipients. Topic discussion: Development aid as an economic tool.	Ch.12, 42-44 Tortella
11	The prelude of the financial crisis: From economic boom to economic collapse. Topic discussion: The role of globalization in the transmission of financial crisis.	Miguel Sebastián. Selected chapters
12	The financial crisis in Spain and its dynamics vs. Europe. Topic discussion: The role of real estate in the crisis.	Banco de España (2014)
13	Main lessons learnt after the financial crisis and the recuperation process. Topic discussion: What are the new imbalances in the Spanish and European Economy? Is there a new recession in the making?	Banco de España (2014)

	Oral Presentation of the second assignment.	
14	<b>Review and Q&amp;A session before Final exam &amp; Final Exam</b>	TBA

## BIBLIOGRAPHY

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- Jerez-Mir, M. et al. (2015). "Iberian Elites and the EU: Perceptions towards the European Integration Process in Political and Socioeconomic Elites in Portugal and Spain".
- Krugman, P. and Wells, R. (2013), "Macroeconomics", Third Ed. Worth Publishers, New York.
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- Prados de la Escosura, L. et al. (2012), "Economic Reforms and Growth in Franco's Spain", Revista de Historia Económica, 30(1) p.45-90.
- Tamames, R. y Rueda, A. (2018) "Estructura Económica de España". Ed. Alianza.
- Tortella, G. (2000), "The Development of Modern Spain. An Economic History of the Nineteenth and Twentieth Century", Harvard University Press.
- Sebastián, M. (2015), "La falsa bonanza", Ed. Península.

## USEFUL LINKS/ ADDITIONAL RESOURCES

**Blackboard:** [bu.edu/learn](http://bu.edu/learn)

- European Central Bank (ECB): <http://www.ecb.int/>
- Banco de España (National Central Bank): <http://www.bde.es/>
- World Bank: <http://www.worldbank.org/>
- International Monetary Fund: <http://www.imf.org/>
- Instituto Nacional de Estadística: <http://www.ine.es/>
- Ministerio de Economía y Hacienda: <http://www.meh.es>
- Ministerio de Industria, Turismo y Comercio: <http://www.mityc.es>
- OCDE: <http://www.oecd.org/statlist.htm>
- Organización Mundial de Comercio <http://www.wto.org>
- Servicio de Estudios de la Caixa: <http://www.estudios.lacaixa.es>

Unión Europea (Eurostat): <http://www.europa.eu.int>  
<https://www.gfmag.com/global-data/country-data/spain-gdp-country-report>  
[http://ec.europa.eu/economy\\_finance/eu/countries/spain\\_en.htm](http://ec.europa.eu/economy_finance/eu/countries/spain_en.htm)  
[http://europa.eu/abc/european\\_countries/eu\\_members/spain/www.oecd.org/spain](http://europa.eu/abc/european_countries/eu_members/spain/www.oecd.org/spain)  
[http://ec.europa.eu/eurostat/statisticsexplained/index.php/unemployment\\_statistics](http://ec.europa.eu/eurostat/statisticsexplained/index.php/unemployment_statistics)  
<http://www.imf.org/external/country/ESP/>  
<http://www.doingbusiness.org/ExploreEconomies/?economyid=173>  
<https://www.cia.gov/library/publications/the-world-factbook/geos/sp.html>