

## COMPASS TO EUROPEAN ECONOMIC INTEGRATION

**Péter Halmai**

**Európai gazdasági integráció**

**[European economic integration]**

**Budapest, 2020**

**Dialóg Campus Kiadó**

**Review by Szabolcs Pásztor and Szintia Tamás**



The author of this new book clustered around the economic issues of European integration needs no introduction to the readers in Hungary. As a result of his decade-long research on international economics, macroeconomics comparative economics and agricultural economics, Péter Halmai has published many books and papers<sup>1</sup> on the topic. It is not an overstatement that his books were among the first to guide readers through the economic dimensions of the European Union.

Péter Halmai is currently a professor at the Faculty of Economics of the Budapest University of Technology and Economics (BME), and at the University of Public Service (NKE), Faculty of Public Governance and International Studies, Department of Public Finance. Also, he has been a corresponding member of the Hungarian Academy of Sciences (MTA) since 2016 and a regular member since 2022. In recognition of his research on the economic integration of Europe, he has been awarded many prizes, including the Széchenyi Award, the Academy Award, the title of Jean Monnet Professor, and, proposed by the MTA, the Knight's Cross of the Hungarian Order of Merit.

Based on his extensive research and experience, the expectations of Hungarian readers are always running high when Peter Halmai publishes a new book. His most recent book '*Európai gazdasági integráció*' [European economic integration] was published in 2020 by Dialóg Campus clustered around the European integration and European common policies from the aspect of applied economics.

The book is divided into eleven lengthy chapters. As it has been already mentioned, the chapters are grouped to analyse issues such as the theoretical foundations of economic integration, common trade policy, competition policy, the

1 Some books by the author as direct preludes to this volume also discuss overall issues, e.g., HALMAI (2013; 2014; 2017; 2019c etc).

common budget of the EU, the common agricultural policy, regional policy, the Economic and Monetary Union, economic policy coordination, fiscal policy, the Stability Pact, the future of the Economic and Monetary Union, the erosion of the European growth potential, and the European Growth Pacts.<sup>2</sup> In this light it is obvious that readers are given a complex view on economic integration. First, the author focuses on relevant categories of the topic of European integration, as they are prerequisites for understanding the whole picture. At the same time, the mosaic reflects an architecture built on strict logic. The different components of the structure fit into tight network. When reading the book, readers get a complex, consistently built picture of the formation of European economic integration.

Chapter one is about the *theoretical foundations of economic integration*. The author highlights the European structure, global and regional integration, the systems of deep, core and differentiated integration (in the author's unique categorisation)<sup>3</sup>, the internal market, the impacts of the customs union, the measurement of the impact of economic integration, market size and the economies of scale.<sup>4</sup>

The discussion of European economic integration starts with the definition of the concepts, such as the preferential customs zone, the free-trade zone, the customs union, the common market, and the political union. Readers can grasp the subject much easier following the definitions. Later, the interconnection of globalisation processes and global integration is explained with respect to formerly fragmented markets.

The section on the *internal market* is introduced with the Treaty of Rome of 1958, which had paramount importance in the elimination of trade barriers among the Member States. After that, the author discusses the common market, the internal market, the four freedoms, the symbol of European integration, the focal areas of strengthening the internal market, and the financial services.<sup>5</sup> In addition to revealing in-depth connections, the reviewer believes the clarification of basic concepts is of high importance, since it is quite frequent that an accurate definition of often changing concepts, which would serve better understanding, is missing not only in economic journalism but also in scientific studies. (The section '*Definitions*' highlights the most important terms.)

In the next sub-chapter, the context of the statement „one cannot consider a customs union to be a step towards free trade” is discussed. The impacts of economic

---

2 HALMAI, 2020a:11–13.

3 More on the subject in detail, cf HALMAI (2019c, 2020g).

4 HALMAI, 2020a:13–46.

5 HALMAI, 2020a:13–31.

integration are divided into three measurement categories, a residual model, an econometric model, and a quantitative general equilibrium model, which are then described in detail. Market size and the economies of scale are presented in figures, for example, competitiveness and breakeven point curves, and illustrations of welfare impacts.<sup>6</sup>

Chapter two is about *common trade policy*. It discusses questions such as why a common trade policy is necessary, the typical figures of international trade with respect to the European Union, the principles, goals and means of common commercial policy, the types of trade relationships, how the part played by free trade agreements gained momentum, or what the connection between disintegration and the trade looks like.<sup>7</sup>

The chapter largely focuses on the means of the common trade policy. They are presented in a figure and then described in detail. The author also goes into detail when he writes about the free trade agreements presenting them individually, country by country.<sup>8</sup> There is an in-depth analysis of Brexit too.<sup>9</sup>

Chapter three, a shorter part of the book, is about *competition policy*. It includes the goals of establishing a common competition policy, state subsidies, the regulations related to undertakings and EU competition rules related to the state.<sup>10</sup> It should be noted that the chapter also includes restrictive agreements, the prohibition of (restrictive) practices, the prohibition on abuse of dominant position, and the control of concentrations between undertakings.<sup>11</sup>

Chapter four is about the *common budget of the European Union*. The author describes the primary features of the EU budget, its principles, changes, the connection of the common budget and European citizens, the structure of the budget, the system of multi-year financial plans, the characteristic features of Hungary *vis a vis* the common budget and the future of the common budget.<sup>12</sup>

Special attention is given to the explanation of the principles of the common budget, for instance, the author goes into detail to describe the principle of externality, the principle of indivisibility, the principle of cohesion, the principle of

---

6 HALMAI, 2020a:31–46.

7 HALMAI, 2020a:49–76.

8 HALMAI, 2020a:49–76.

9 The author analysed Brexit issues in several studies. Cf. HALMAI (2018b; 2020b; 2020c; 2020e).

10 HALMAI, 2020a:79–88.

11 HALMAI, 2020a:79–88.

12 HALMAI, 2020a:91–115.

subsidiarity and the principle of additionality. He sums up the budget changes in chronological order beginning from the 1960s up to the 2010s.<sup>13</sup>

Chapter five is about *common agricultural policy* (CAP). Péter Halmai presents, among others, the goals of common agricultural policy its areas of regulation, its changes, reforms, contractual bases, common market organisations, direct subsidies, integrated rural development, post-2020 schemes, and the future of the system.<sup>14</sup>

As part of the changes and reforms of common agricultural policy, he describes the main outcomes of the Stresa conference held in 1958, then the factors affecting CAP reforms and, finally, the principles of the system after 2013. Following the description of the first and second pillars, he focuses on the period following 2020. He describes the priorities and presents the post-2020 structure of direct subsidies through figures. At the end of the chapter, he discusses the prospects of the future of common agricultural policy and the possibility of a radical reform, including the theoretical option of re-nationalisation.<sup>15</sup>

Chapter six is about *regional policy*. It discusses regional differences of development, presents the concepts of convergence, divergence<sup>16</sup>, integration, and specialisation, explains the theory of the location of economic activity, and describes cohesion policy as it operated in Hungary from 2014 to 2020.<sup>17</sup> It has been an ever-green topic in Hungary and the reviewer believes it will remain so for a long time to come. It is a special chapter as it presents the characteristic features of regional policy through excellent figures and maps. In addition to the concept definition mentioned above, the author also reviews the spatial effects of European integration and regional unemployment. At the end of the chapter, the Europe 2020 strategy is presented.<sup>18</sup>

Chapter seven, which is, in fact, the longest part of the book, provides insight into the mysteries of the *Economic and Monetary Union* (EMU). It starts with the establishment of the Economic and Monetary Union, then it identifies the concepts and prerequisites of optimum currency areas. Next, it describes the fundamental features of the Maastricht system, the construction, operation, and experiences of the eurozone, and finally quantitative easing.<sup>19</sup>

---

13 HALMAI, 2020a:91-115.

14 HALMAI, 2020a:117-142. Latest comprehensive discussion of the subject, cf: HALMAI (2020h).

15 HALMAI, 2020a:17-142.

16 On the convergence problem cf. p.ex.: HALMAI-VÁSÁRY (2010a; 2012), HALMAI (2009; 2019a; 2019b; 2021b).

17 HALMAI, 2020a:145-176.

18 HALMAI, 2020a:145-176.

19 HALMAI, 2020a:177-215.

The establishment of the Economic and Monetary Union is set against a historical background, beginning with the Hague summit in 1969 to the intergovernmental conference of the European Council organised in Strasbourg in December 1989. Of the theories of optimum currency zones, the author analyses the „impossible trinity,” real exchange rate and purchasing power parity. Particular emphasis is given to the presentation of the euro system, introducing the main characteristics of the European Central Bank (ECB) and the national banks of the eurozone. Later, the Taylor rules and single monetary policy is introduced. In the last part of the chapter, the author discusses the initial experience and pitfalls of the introduction of the euro, for example, the oil-shock at the beginning of the 2000s or the period following the 9/11 terrorist attacks.<sup>20</sup>

Chapter eight is about *economic policy coordination, fiscal policy, and the stability pact*. Sub-chapters include comprehensive economic guidelines, fiscal policy in the eurozone, the Stability, Coordination and Growth Pact, the inconsistencies of the Stability Pact, and procedures aimed to manage macroeconomic imbalances.<sup>21</sup>

With the help of the chapter, readers can get an in-depth analysis of the following questions: What is to be given up when a state joins the European Monetary Union? What is the meaning of discretionary fiscal policy? What problems can arise as a result of the lack of fiscal discipline in the eurozone and the goals set in the Euro Plus Pact signed in 2011? What is the central component of the procedure to manage macroeconomic imbalances.<sup>22</sup>

Chapter nine deals with the *system and future of the Economic and Monetary Union (EMU)*. It is an in-depth analysis revealing the structural issues of the EMU, while it defines a multi-speed Europe, and discusses how the last financial and economic crisis was managed, as well as EMU reforms.<sup>23</sup>

Chapter nine, in fact, is a continuation of the ideas of chapter seven, for instance, by presenting the factors leading to the *introduction of the euro* and the dimensions of *convergence*. In the sub-chapters, the author provides detailed definitions of the following terms: monetary (currency) union, fiscal sovereignty and discipline, banking supervision in the Member States, limited economic policy coordination and the assumption of the endogeneity of an optimum currency area. Next, one can read about the imbalances of the current account and the set

---

20 HALMAI, 2020a:op.cit.177–215.

21 HALMAI, 2020a:217–234.

22 HALMAI, 2020a:217–234.

23 HALMAI, 2020a:235–266. The EMU was discussed in detail in the following studies: HALMAI (2013; 2017; 2018c; 2019c; 2020a; d; e; 2021a; c; 2022).

of tools available to the Economic and Monetary Union today, as well as the possibility of its prospective reform.<sup>24</sup>

Chapter ten is about the *erosion of the European growth potential*. It discusses the trends of productivity, ageing societies, the downturn of the European growth potential, and the lessons to be learnt from the last financial and economic crisis.<sup>25</sup> At the beginning of the chapter, the factors explaining the dynamics of productivity are presented, for instance, the evolution of the number of hours worked or total factor production. Then, the main reasons of the downturn of the potential growth rate are analysed, including the limited possibility of increasing employment, or the downturn of the dynamics of total factor production. In the last part of the chapter, readers are provided with a description of the circumstances of recovery from the 2008 financial and economic crisis, and the post-crisis situation.<sup>26</sup>

The last chapter deals with *European growth programmes*. Titles of the sub-chapters include the Lisbon strategy, the impact of structural reforms, macroeconomic effects, and the Europe 2020 strategy. The latter was already mentioned in earlier chapters, but here it is discussed in greater detail. Thus, it includes the goals and priorities recorded in the strategy, an economy based on innovation and inclusive growth.<sup>27</sup>

The chapters of the book offer multiple insight into the theoretical bases of economic integration, the common trade policy, the competition policy, the budget of the European Union, the common agricultural policy, the common regional policy, the Economic and Monetary Union, the economic policy coordination, the future of the Economic and Monetary Union, the erosion of the European growth potential, and the European Union's agenda for growth. In the book, examples are given to present the different historical periods of economic integration focusing on the process as economic integration gained momentum. Excellent figures, tables, maps, and charts help readers in an in-depth understanding of the various chapters. The book is certainly recommended for professionals and researchers interested in the processes of European economic integration. In addition, with respect to its style, depth, and content, it will be indispensable and mandatory literature for undergraduate and postgraduate students of European

---

24 HALMAI, 2020a:235–266.

25 HALMAI, 2020a:269–283. On the background of the development theory and the growth impact of integration, cf. ELEKES – HALMAI (2013a; b; 2019); HALMAI (2011; 2014; 2015a; b; 2018a); HALMAI–VÁSÁRY (2010b; 2011).

26 HALMAI, 2020a:269–283.

27 HALMAI, 2020a:285–303. The ideas discussed in the book can be used well for analysing new EU growth programmes.

integration. The reviewer is sure this book will enrich the list of textbooks on European integration, which tends to be quite narrow these days. The chapters discuss issues of basic importance in accessible language but with professional accuracy. The book should not be missing from the collections of high-standard researchers or the shelves of libraries and universities.

*Szabolcs Pásztor – Szintia Tamás*

## REFERENCES

- ELEKES, ANDREA – HALMAI, PÉTER (2013a): Growth Model of the New Member States: Challenges and Prospects. *Intereconomics – Review of European Economic Policy*, 48(2), 124–130.
- ELEKES ANDREA – HALMAI PÉTER (2013b): Az új tagállamok növekedési modellje: Kihívások és kilátások [The growth model of new member states: challenges and prospects]. *Közgazdaság* 57(7–8), 32–66.
- ELEKES, ANDREA – HALMAI, PÉTER (2019): How to overcome the crisis of the European growth potential? The role of the government. *European Journal of Comparative Economics*, 16(2), 313–334.
- HALMAI PÉTER (2009): Felzárkózás és konvergencia az Európai Unióban [Catching up and convergence in the european union]. *Statisztikai Szemle*, 87(1), 41–62.
- HALMAI PÉTER(2011): Válság és potenciális növekedés az Európai Unióban [Crisis and potential growth in the EU]. *Közgazdasági Szemle*, 58(12), 1059–1081.
- HALMAI PÉTER(2013): Európai integráció és szuverenitás. A gazdasági kormányzás új dimenziói [European integration and sovereignty. New dimensions of economic governance]. *Magyar Tudomány*, 174(4), 411–421.
- HALMAI PÉTER (2014): *Krisis és növekedés az Európai Unióban. Európai modell, strukturális reformok* [Crisis and growth in the EU. European model, structural reforms]. Budapest: Akadémiai Kiadó.
- HALMAI PÉTER (2015a): Az európai növekedési potenciál eróziója és válsága [Erosion and crisis of the european growth potential]. *Közgazdasági Szemle* 62(4), 379–414.
- HALMAI PÉTER (2015b) Strukturális reformok és növekedési potenciál az Európai Unióban [Structural Reforms and Growth Potential in the European Union]. *Pénzügyi Szemle*, 60(4), 510–525.
- HALMAI PÉTER (2017): Új geometria: „teljes” gazdasági és monetáris unió? A gazdasági kormányzás új dimenziói az Európai Unióban [New geometry: „full” economic and monetary union? New dimensions of economic governance in the european union]. *Magyar Tudomány*, 178(1), 6–17.
- HALMAI PÉTER (2018a): Az európai növekedési modell kifulladásá [Downturn of the european growth model]. *Közgazdasági Szemle*, 65(2), 122–160.
- HALMAI PÉTER (2018b): A Brexit lehetséges gazdasági hatásai. Gazdaságtani alapok, módszertani lehetőségek [Possible economic impact of Brexit. Economic foundations, methodology options]. *Európai Tükör*, XXI(2), 7–32.
- HALMAI PÉTER (2018c): Európai reformok: Többsebességű Európa? Differenciált gazdasági integráció versus átfogó reform [European reforms: multi-speed Europe? Differentiated economic integration versus comprehensive reform]. *Európai Tükör*, 21(3), 21–44.
- HALMAI PÉTER (2019a): Konvergencia és felzárkózás az euróövezetben [Convergence and catching up in the euro zone]. *Közgazdasági Szemle*, 66(6), 687–712.

- HALMAI PÉTER (2019b): Felzárkózás és konvergencia az európai integráció rendszerében [Catching up and convergence in the system of european integration]. In: KOVÁCS LAJOS PÉTER (szerk.) (2019): *Európa közel-távol*. Budapest: Éghajlat Könyvkiadó, 189–230.
- HALMAI PÉTER (2019c): Bevezetés: tagállami integrációs modellek [Introduction: integration models of the member states], 15–27; Differenciált integráció: gazdasági integrációs modellek [Differentiated integration: models of economic integration], 67–142. In: HALMAI PÉTER (szerk.) (2019): *Tagállami integrációs modellek. A gazdasági kormányzás új dimenziói az Európai Unióban* [Integration models of the member states. New dimensions of economic governance in the EU]. Budapest: Dialóg Campus.
- HALMAI PÉTER (2020a): *Európai gazdasági integráció* [European economic integration]. Budapest: Dialóg Campus.
- HALMAI, PÉTER (2020b): A brexit gazdaságtana [Economics of Brexit], 85–212. In: HALMAI, PÉTER (ed.) (2020f): *A BREXIT forgatókönyvei és hatásai* [Brexit scenarios and impacts]. Budapest: Nordex Nonprofit Kft. – Dialóg Campus Kiadó.
- HALMAI, PÉTER (2020c) A dezintegráció gazdaságtana. A brexit esete [Economics of disintegration. The Brexit case]. *Közgazdasági Szemle*, 67(9), 837–877.
- HALMAI, PÉTER (2020d): GMU 2.0: felelősség versus szolidaritás? [EMU 2.0: Responsibility versus solidarity?] *Külgazdaság*, 64(9–10), 3–34.
- HALMAI, PÉTER (2020e) A populizmus ára: a Brexit adó [The price of populism: the Brexit tax]. *Magyar Tudomány*, 181(12), 1621–1635.
- HALMAI, PÉTER (szerk.) (2020f): *A BREXIT forgatókönyvei és hatásai A BREXIT forgatókönyvei és hatásai* [Brexit scenarios and impacts]. Budapest: Nordex Nonprofit Kft. – Dialóg Campus Kiadó.
- HALMAI, PÉTER (2020g): *Mélyintegráció. A Gazdasági és Monetáris Unió ökonómiája* [Deep integration. The economy of the Economic and Monetary Union]. Budapest: Akadémiai Kiadó.
- HALMAI, PÉTER (2020h): A Közös Agrárpolitika rendszere [System of common agricultural policy], 11–48., A Közös Agrárpolitika reformja [Reform of the common agricultural policy], 49–104. In: HALMAI, P. (ed.) (2020): *A Közös Agrárpolitika rendszere* [System of common agricultural policy]. Budapest: Dialóg Campus.
- HALMAI, PÉTER (2021a): Középpontban a reziliencia. A Gazdasági és Monetáris Unió mélyülésének egyes tényezői [Resilience in focus. Certain factors of a deepening Economic and Monetary Union]. *Pénzügyi Szemle*, 66(1), 7–31.
- HALMAI, PÉTER (2021b): Körkérdés: Konvergencia versus divergencia? Kríziskezelés és kilábalás az Európai Unióban. *Külgazdaság*, 65(1–2), 45–48.
- HALMAI, PÉTER (2021c): Bevezető gondolatok [Introductory ideas], 7–21; GMU 2.0? Teljes GMU felé [EMU 2.0? Towards a full EMU?], 21–62; A Gazdasági és Monetáris Unió rendszerének egyes sajátosságai [Certain features of the structure of the economic and monetary union], 197–288. o. In: HALMAI, PÉTER (ed.) (2021): *A Gazdasági és Monetáris Unió jövője. Európai perspektívák* [The future of the Economic and Monetary Union. European perspectives]. Budapest: Ludovika Egyetemi Kiadó
- HALMAI, PÉTER (2022) Responsibility Versus Solidarity? Key Issues for the EMU. *Romanian Journal of European Affairs*, 22(1) June, 85–103.
- HALMAI, PÉTER – VÁSÁRY, VIKTÓRIA (2010a): Real convergence in the new Member States of the European Union (Shorter and longer term prospects). *European Journal of Comparative Economics*, 7(1), 229–253.
- HALMAI, PÉTER – VÁSÁRY, VIKTÓRIA (2010b): Growth Crisis in the EU: Challenges and Prospects. *Intereconomics – Review of European Economic Policy*, 45(5), 329–336.
- HALMAI, PÉTER – VÁSÁRY, VIKTÓRIA (2011): Crisis and economic growth in the EU: Medium and long-term trends. *Acta Oeconomica*, 61(4), 465–485.
- HALMAI, PÉTER – VÁSÁRY, VIKTÓRIA (2012): Convergence crisis: economic crisis and convergence in the European Union. *International Economics and Economic Policy*, 9(3), 297–322.