



SCHOOL OF POLITICS AND INTERNATIONAL RELATIONS

POL41650

European Political Economy in Hard Times

Lecturer

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Office Hours: Monday 10am-12pm

Description

The purpose of this course is to analyse the political and economic process of European monetary integration from an international perspective. The course is taught in three parts. The *first* part examines the comparative history and co-evolution of national varieties of capitalism within Europe and how different phases of international monetary integration have affected these national economic systems. The *second* part examines the political and economic rationale for the establishment of the single currency. We will examine how member-states in the north and south of Europe reorganised their fiscal and wage policies to satisfy the Maastricht convergence criteria, and how these diverged after the introduction of the Euro. We will analyse the role of the European Central Bank (ECB), the Growth and Stability Pact, and the influence of the Commission and Council in shaping the process of integration. The *final* part of the course examines the political and economic policy response to the Eurozone sovereign debt crisis. We will examine the core actors and institutions determining this response at both national and supranational level. The course will conclude with a discussion on whether the policy response to the Euro crisis is exacerbating the asymmetry of integration between core and peripheral member-states of the EMU, and leading to a crisis of the democratic welfare state.

Intended learning outcomes

This course examines Europe as an international case study on what happens when diverse political economies are integrated into a single currency without a federal government. It is both theoretical and empirical. Each seminar is constructed around a set of core readings (that will take around 6 hours study prior to class). You must read these before the seminar and prepare a critical response. By the end of the course you will have learnt the core theories and concepts of political economy and its application to the broader social and political sciences. Students who have successfully completed this course will be equipped to:

- Produce well-structured theoretical papers

- Utilise large data-sets and country specific case-studies
- Make clear and concise presentations based on sound analysis and arguments from a variety of social scientific research.
- Design brief policy reports on the political economy of European monetary integration
- Illustrate how the political economy of integration is related to historically diverse national models of capitalism within the EU.

Assessment

Assessment will be based on four elements. Attendance and participation (5%), presentation based on two critical response papers (10%), a blog post (25%) and a final research paper (60%) up to 4,000 words in length. The research paper should identify a significant gap or puzzle in current understandings of European political economy, articulate an empirically-researchable question that addresses this gap/puzzle, propose hypotheses that might explain the pattern/process/outcome in question, analyse the observable implications, and present a preliminary empirical response (based on qualitative or quantitative data) to the research question. The topic of this exercise may be related to an MA thesis in progress.

Readings

Readings will be drawn from a wide range of books and journals. All required readings must be completed before the seminar for which they are assigned. Journal articles are accessible on-line through the UCD library's e-journals catalogue. Other readings are available on designated websites or the module's Blackboard site. If you do not read you will not learn.

Disability Support Services

Students whose disabilities, medical conditions or learning difficulties (such as dyslexia) have been recognized and documented by UCD's Disability Support Services and who expect that their disability will affect the conditions of their assessment in this course are encouraged to contact Dr. Regan as soon as possible. Others who suspect that they may have such a disability are encouraged to contact the DSS office as soon as possible. For more information, see <http://www.ucd.ie/disability/index.html>.

Academic Standards

(1) The School's policy on standard academic practice (i.e., avoiding plagiarism) will be strictly enforced. A copy of the policy is available on the module's Blackboard site. (2) All written work submitted for this module should also conform to Harvard style (see guide on UCD Library website) for citations.

Seminar Plan:

- Week 1: Introduction to European political economy
What is the new political trilemma in Europe?
- Week 2: Theories of political economy
How do ideas, institutions and interests shape different economic systems?
- Week 3: The Euro trilemma and the international monetary system
What is the relationship between monetary, fiscal and labour market policy?
- Week 4: The European economy since 1945
What were the political and economic effects of the Marshall plan?
- Week 5: European varieties of capitalism
What is the difference between liberal and coordinated market economies?
- Week 6: Monetary integration: from Delors to Maastricht
Why and how did European states agree to Maastricht in 1991?
- Week 7: Monetary integration: the transition to EMU
What was the outcome of European states agreeing to monetary union?
- Week 8: The European social market economy
Is there a tension between negative and positive integration?
- Week 9: The European Central Bank (ECB) and financial markets
What explains the difference between the ECB and the Federal Reserve?
- Week 10: The Euro crisis – causes
How did a financial crisis turn into a sovereign debt crisis in Europe?
- Week 11: The Euro crisis - consequences
What are the consequences of the crisis for the social state?
- Week 12: The new governance of the Eurozone
How can we map the new European governance framework?

Background reading on European integration:

If you are not familiar with the background of EU history and institutions it is probably important that you read/browse/skim some of the following books:

- Desmond Dinan (2004). *Europe Recast: A History of European Union*. Houndmills. Palgrave Macmillan.

This is a useful introduction to the history of European integration since the end of WW2 until the late 1990's. It is a narrative and should not be considered a definitive account.

- Andrew Moravcsik (1998). *The Choice for Europe: Social Purpose and State Power. From Rome to Maastricht*. Ithaca, NY: Cornell University Press.

The argument of this book is simple but deeply contested: European integration is the outcome of rational decisions by national leaders in response to economic interests.

- Fritz Scharpf (1999). *Governing in Europe: Effective and Democratic?* Oxford University Press.

The argument of this book is that there is a growing asymmetry between negative integration (market-making) and positive integration (market-correcting) in the European Union.

- Liesbet Hooghe and Gary Marks (2001). *Multi-Level Governance and European Integration*. Roman and Littlefield.

This book attempts to move beyond neofunctional and intergovernmental theories by developing a 'multi-level governance' framework. It captures the dynamism of integration.

- Wallace, H., Pollack, M. and Young, A. (2010). *Policy-Making in the European Union*, Oxford University Press, Oxford-New York, Sixth Edition.

This is a very useful collection on the core actors, policy processes and institutions of the EU.

Background reading on European Political Economy

These books/journals/reports will give you a good overview of the various approaches to the comparative political economy of European integration.

- Paul De Grauwe (2012) *The Economics of Monetary Union* (Oxford University Press, 7th ed.)
- Barry Eichengreen (2007) *The European Economy Since 1945: coordinated capitalism and beyond* (Princeton University Press)
- Kenneth Dyson and Kevin Featherstone (1999) *The Road to Maastricht*, OUP
- Special issue (2006): 'Economic Governance in EMU Revisited', *Journal of Common Market Studies* vol.44, No.4 (November);
- DG Ecfm (2009) *Economic Crisis in Europe: Causes, Consequences and Responses*, European Economy 7/2009;
- Jean Pisani-Ferry and Adam Posen (2009) *The Euro at Ten: The Next Global Currency?* Peterson Institute for International Economics.
- Esping-Andersen, Goesta (1990). *Three Worlds of Welfare Capitalism*. Cambridge: Polity.
- Hall, Peter and David Soskice (eds.) (2001). *Varieties of Capitalism*. Oxford: Oxford University Press.
- Glyn, Andrew (2006). *Capitalism Unleashed*. Oxford: Oxford University Press.
- Crouch, Colin (2011). *The Strange Non-Death of Neoliberalism*. Cambridge: Polity.
- Blyth, Mark (2013). *Austerity. The History of a Dangerous Idea*. New York: Oxford University Press.
- Caporaso, J.A. and Levine, D.P. (1992): *Theories of Political Economy*, Cambridge: Cambridge University Press
- *Governance for the Eurozone: Integration or Disintegration?* Edited by Franklin Allen, Elena Carletti and Saverio Simonelli (2012).
- Richard Baldwin & Charles Wyplosz (2009) *The Economics of European Integration* (latest edition) by, McGraw-Hill
- Armin Schäfer & Wolfgang Streeck (2013). *Politics in an Age of Austerity*. Cambridge. Polity Press.

Internet Links

www.ft.com (there is tons of material on the euro crisis. UCD has a subscription)

<http://www.voxeu.org> (this is a brilliant research-based website for policy analysis and commentary on economic issues. Just search 'Euro')

<http://www.cvce.eu> (A useful collection of documents, sound files, videos and other data on European integration history).

http://europa.eu/abc/history/index_en.htm (The EU's own take on its history).

<http://aei.pitt.edu> (An electronic depository for research material on the topic of European integration).

<http://www.unizar.es/euroconstitucion/Home.htm> (The website provides important documents on the preparation, negotiation, and ratification of important European treaties).

<http://eur-lex.europa.eu/en/index.htm> (A search engine for European Union primary and secondary law).

http://europa.eu/about-eu/institutions-bodies/index_en.htm (information on European institutions).

DATA sources:

Eurostat provides detailed information on European countries in the follow areas: economy and finance; population and social conditions; industry, trade and services; agriculture and fisheries; external trade; transport; environment and energy; science and technology.

<http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

The European Central Bank (ECB) statistical portal provides data relevant to Eurozone monetary policy, financial stability and other central bank activities. Aggregate series are based on observations from national central banks, credit institutions and other international sources: <http://sdw.ecb.int/>

The **Euro Barometer Survey** consist of approximately 1,000 face-to-face interviews per EU member state, covering social conditions, health, culture, the economy, citizenship, security, information technology, the environment, the Euro and European Union enlargement.

<http://www.gesis.org/eurobarometer/data-access/>

The **EUDO Data Centre (EUI)** provides data on European public opinion, political elites and the media; political parties and representation; institutional change and reform, and citizenship <http://www.eui.eu/Projects/EUDO/EUDODataCentre.aspx>

The **European Social Survey** covers social and public trust; political interest and participation; socio-political orientations; governance; media use; moral, political and social values; social exclusion; national, ethnic and religious allegiances; well-being, health and security, and; demographics and socio-economic topics <http://www.europeansocialsurvey.org/>

The **European Labour Force Statistics** is a household sample survey conducted across the EU and three EFTA countries, providing quarterly results on labour participation. Data ranges

from 1983, depending on member state accession and other availability factors. Surveys are conducted by European national statistical agencies and collated by Eurostat.

http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database

EU-SILC is a cross-sectional and longitudinal multi-dimensional micro data set on income, poverty, social exclusion and living conditions in the European Union. Surveys are conducted by European national statistical agencies and collated by Eurostat.

http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc

Other useful websites

<http://ft.com>

<http://www.euractiv.com/en/>

<http://euobserver.com/>

<http://www.ft.com/world/europe/brussels>

http://europa.eu/legislation_summaries/index_en.htm

http://bookshop.europa.eu/eubookshop/index.action?request_locale=EN

<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

<http://www.bruegel.org/>

<http://www.notre-europe.eu/>

<http://www.lisboncouncil.net/index.php>

<http://www.ceps.eu>

Twitter

#Euro-UCD (to be decided)

WEEK1 INTRODUCTION TO EUROPEAN POLITICAL ECONOMY

In this seminar we will discuss the global political trilemma outlined by Dani Rodrik. This suggests that there is a trade off between international economic integration (particularly capital mobility), fixed exchange rates (nation-state) and monetary autonomy (democratic politics). We will reconsider this trilemma in the context of European monetary union.

Required

Dani Rodrik (2000): How far will international economic integration go? *The Journal of Economic Perspectives*, 177-186

Dani Rodrik (2011): The globalisation paradox. Democracy and the future of the world economy. Chapter 9, *the political trilemma of the world economy* (p184-207). Norton press.

Paul De Grauwe (2013): The political economy of the euro. *Annual review of political science*, 16, 153-170.

Fritz Scharpf (1997): *Economic integration, democracy and the welfare state*. Journal of European Public Policy, 4(1), 18-36

Recommended

Richard Baldwin & Charles Wyplosz (2005). *The Economics of European Integration*. Part I, chapters 1-3, P1-73.

WEEK 2 THEORIES OF POLITICAL ECONOMY

In this seminar we will discuss the relative importance of *institutions, ideas and interests* in shaping the growth trajectory and policy packages of transnational and cross-country variation in European political economy. This complex interplay between actors and institutions, or puzzling and powering will act as a theoretical compass for the module.

Required

Peter Hall (1997). The role of interest, institutions and ideas in the political economy of industrialized nations. In Lichbach and Zuckerman ed., *Comparative Politics: Rationality, Culture and Structure*.

Peter Hall & Rosemary Taylor (1996). Political science and the three new institutionalisms. *Political studies*, 44(5), 936-957.

Torben Iversen and David Soskice (2006). "New Macroeconomics and Political Science", *Annual Review of Political Science*. Vol 9: p425-453

Geoffrey Garrett & Barry Weingast (1991). *Ideas, interests and institutions: Constructing the EC's internal market*. University of California, Center for German and European Studies.

Recommended

Colin Crouch (2011). *The strange non-death of neo-liberalism*. Polity press.

Mark Blyth (2002). *Great transformations: Economic ideas and institutional change in the twentieth century*. Cambridge University Press

Caporaso, J.A. and Levine, D.P. (1992): *Theories of Political Economy*, Cambridge: Cambridge University Press (reprinted 1998, 2005), ch.1, 2, 4, 5.

Fritz Scharpf (1997): *Games real actors play: Actor-centered institutionalism in policy research* (Vol. 1997). Boulder, CO: Westview Press.

Albert Hirschman, *Rival Views of Market Society*, chapter 5 (p105-141)

Karl Polanyi, *The Great Transformation*, chapters 11-12 (p130-150)

Richard Baldwin & Charles Wyplosz (2005). *The Economics of European Integration*. Part II, chapters 4-7, P103-174

WEEK 3 THE EURO TRILEMMA AND THE INTERNATIONAL MONETARY SYSTEM

In this seminar we will discuss the importance of the international monetary system for understanding the political economy of European integration. It will be argued that EMU is a radical solution to the classic Mundell–Fleming macroeconomic policy trilemma. However, it suffers from serious design flaws. We will discuss how macroeconomic constraints in the Euro area are related to the coordination problems in the international economy.

Required

Fritz Scharpf (2011). Monetary Union, Fiscal Crisis and the Pre-emption of Democracy. *LEQS Paper*, (36).

<http://www.lse.ac.uk/europeanInstitute/LEQS/LEQSPaper36>

Paul De Grauwe (2014): *The economics of monetary union*. Chapter 5: The fragility of incomplete monetary unions. P105-132 Oxford University Press (OUP).

Kevin O'Rourke (2011): A tale of two trilemmas. Institute for International Integration Studies.

<https://www.tcd.ie/iis/documents/discussion/pdfs/iisd364.pdf>

Barry Eichengreen (2008): *Globalizing Capital, A History of the International Monetary System*. Chapter 4 & 5, p91-183. Princeton University Press.

Recommended

Richard Baldwin & Charles Wyplosz (2005). *The Economics of European Integration*. Part IV, chapters 10-11, p275-310

Joseph S. Nye & John Donahue (2000). *Governance in a globalizing world*. Brookings Institution Press.

Helen Milner (1991). The Assumption of Anarchy in International Politics: A Critique. *Review of International Studies* 17, 67-85

WEEK 4 THE EUROPEAN ECONOMY SINCE 1945

In this seminar we will trace the architecture of the European political economy since 1945. We will seek to identify the institutional structures, ideas and policy regimes that gave rise to the golden age of post-war European economic growth. We will then discuss the extent to which these political institutions give rise to the contemporary economic adjustment problems facing European member-states today. Be prepared, there is a lot of reading this week!

Required

Peter Barry Eichengreen (2007) *The European Economy Since 1945: coordinated capitalism and beyond*. Chapters 1-4, p1-129

Hall (2013): *The Political Origins of Our Economic Discontents. Contemporary Adjustment Problems in a Historical Perspective*. In 'Politics in the new hard times: the great recession in comparative perspective'.

<http://www.people.fas.harvard.edu/~phall/Gourevitch.pdf>

Daron Acemoglu, Simon Johnson, & James Robinson (2005): Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*, 1, 385-472.
http://ciep.itam.mx/~rahul.giri/uploads/1/1/3/6/113608/institutionslongrungrwth_acemoglujohnsonrobinson_ch6handbkofecongrwth2005.pdf

Recommended

Andrew Moravcsik and Peter Katzenstein (1998): *The choice for Europe: social purpose and state power from Messina to Maastricht* (Vol. 1). Ithaca, NY: Cornell University Press.

Roderick, Dani. 1998. "Why Do Open Economies Have Bigger Governments?" *Journal of Political Economy* 106: 997-1032.

Richard Baldwin & Charles Wyplosz (2005). *The Economics of European Integration*. Part IV, chapters 4-7

Nicholas Crafts & Gianni Toniolo eds (1996): *Economic Growth in Europe since 1945*. Cambridge, Cambridge University Press (CUP).

Peter Gourevitch (1986): *Politics in Hard Times*. Ithaca: Cornell University Press.

Stasavage, D. (2002). Credible commitment in early modern Europe: North and Weingast revisited. *Journal of Law, Economics, and Organization*, 18(1), 155-186

WEEK 5 EUROPEAN VARIETIES OF CAPITALISM

In this seminar we will examine how different models of capitalism within Europe have adapted in distinctive ways to the pressures of globalisation and Europeanisation. It will be argued that whilst VOC provides a framework to understand the diversity of socio-economic systems in Europe, it does not adequately account for the international political economy of monetary integration, particularly as it pertains to EMU.

Required

Peter Hall & David Soskice, (2001): An introduction to varieties of capitalism. *Varieties of capitalism: The institutional foundations of comparative advantage*, 1, 21-27. http://www.cerium.ca/IMG/pdf/HALL-_A_Peter_and_SOSKICE_David-_An_introduction_to_varieties_of_capitalism-2.pdf

Walter Korpi (2006): Power resources and employer-centered approaches in explanations of welfare states and varieties of capitalism: Protagonists, consenters, and antagonists. *World Politics*, 58(02), 167-206.
<http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=7694288&fileId=S004388710002058X>

Peter Hall (2007): *The Evolution of Varieties of Capitalism in Europe*. In Bob Hancké et al, 'Beyond Varieties of Capitalism: Conflicts, Contradictions and Complementarities in the European Economy'. Oxford University Press.
http://www.gov.harvard.edu/files/phall_Florenceproof.pdf

Barry Eichengreen (2007) *The European Economy Since 1945: coordinated capitalism and beyond*. Chapters 8-9, p225-290

Recommended

Vivien A. Schmidt (2000). *The Futures of European Capitalism*. Chapter 1, p1-13. Oxford University Press (OUP).

Peter Katzenstein (1985): *Small States in the World Economy*, Cornell University Press, 1985, Chapters, 1-2.

Herbert Kitschelt, Peter Lange Marks and Stephens, (1999): *Continuity and Change in Contemporary Capitalism*. Cambridge: Cambridge University Press

Duane Swank (2002): *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*. New York: Cambridge University Press.

WEEK 6 MONETARY INTEGRATION: FROM DELORS TO MAASTRICHT

In this seminar we will examine the extent to which national executives within member-states incorporated the costs and benefits of monetary integration, and the implications of transferring monetary sovereignty to the European Central Bank (ECB). We will discuss the economic idea of rational expectations and the extent to which this informed the convergence criteria. The seminar will conclude by examining the domestic fiscal and wage strategies pursued by the 'periphery' of Europe in adapting (or not) to the constraints of Maastricht.

Required

N Jabko (1999): In the name of the Market: how the European Commission paved the way for monetary union. *Journal of European Public Policy*, 6(3), 475-495.

Paul De Grauwe (2014): *The economics of monetary union*. Oxford University Press (OUP). Chapter 3, 4, 7, 8

Peter Hall & Robert Franzese. (1998): Mixed signals: Central bank independence, coordinated wage bargaining, and European Monetary Union. *International organization*, 52(03), 505-535.

Hancké, B., & Rhodes, M. (2005): EMU and Labor Market Institutions in Europe. The Rise and Fall of National Social Pacts. *Work and Occupations*, 32(2), 196-228

Recommended

Barry Eichengreen (2007): *The European Economy Since 1945: coordinated capitalism and beyond*. Chapter 11, P335-377

Andrew Moravcsik (1993): Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach. *Journal of Common Market Studies* 31, 473-524

WEEK 7 MONETARY UNION: INTEGRATION AMONG UNEQUALS?

In this seminar we will discuss why, contrary to the assumption of convergence, core and peripheral member-states of the EMU increasingly diverged after entry to EMU. We will discuss the asymmetry of economic integration under monetary union by examining cross-national differences in tax competition and wage-setting regimes.

Required

Tal Sadel & Amy Verdun (2009): Explaining Europe's Monetary Union: a survey of the Literature. *International Studies Review*, 11(2), 277-301.

Wolfgang Streeck & Daniel Mertens (2011): *Fiscal austerity and public investment: Is the possible the enemy of the necessary?* (No. 11/12). MPIfG discussion paper. http://www.mpifg.de/pu/mpifg_dp/dp11-12.pdf

Martin Höpner and Mark Lutter (2014): *One Currency and Many Modes of Wage Formation*. MPIfG Discussion Paper. http://www.mpifg.de/pu/mpifg_dp/dp14-14.pdf

Paul De Grauwe (2014): *The economics of monetary union*. Oxford University Press (OUP). Chapter 9,10

Recommended

European Central Bank (2006): *The Euro's Trade Effects*. Working Paper Series No 594/march 2006

Kenneth Dyson (2000): *The Politics of the Eurozone, Stability or Breakdown?* Oxford University Press

Colin Crouch (2000). *After the Euro: Shaping institutions for governance in the wake of European Monetary Union*. Oxford University Press.

Richard Baldwin & Charles Wyplosz (2005). *The Economics of European Integration*. Part IV, chapters 10-11, p275-310

De Grauwe, P. (2006). What Have we Learnt about Monetary Integration since the Maastricht Treaty? *JCMS: Journal of Common Market Studies*, 44(4), 711-730.

WEEK 8 EUROPEAN SOCIAL MARKET ECONOMY: WHERE ART THOU?

In this lecture we will ask whether there is an implicit neoliberal bias underpinning the economics of European integration. We will examine the difference between positive (social institutions) and negative (market liberalization) integration. This will illustrate the political priorities underpinning economic integration, from the single market to the EMU.

Required

Fritz Scharpf (1999). *Governing in Europe: Effective and Democratic?* Oxford University Press. Chapters 2-4.

Andrew Moravcsik (1993). Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach. *Journal of Common Market Studies* 31, 473-524

Fritz Scharpf (2010). The asymmetry of European Integration, or why the EU cannot be a social market economy? *Socio-Economic Review* 8, 211-250

Recommended

Jeffrey Friedman Ronald Rogowski (1996): *The Impact of the International Economy on National Policies: An Analytical Overview*. In *Internationalization and Domestic Politics*, edited by Robert O. Keohane and Helen V. Milner. Cambridge: Cambridge University Press.

Ruggie, John G. (1998): Globalization and the Embedded Liberalism Compromise: The End of an Era? In *Internationale Wirtschaft, nationale Demokratie. Herausforderungen für die Demokratietheorie*, edited by Wolfgang Streeck, 79---98. Frankfurt: Campus.

Giandomenico Majone (2005): Dilemmas of European integration. The ambiguities and pitfalls of integration by stealth. Oxford: Oxford University Press.

WEEK 9 EUROPEAN CENTRAL BANK: FINANCE MARKET INSTABILITY

The centrepiece of the European Monetary Union is the European Central Bank (ECB). This was created as the most independent institution in the history of central banking. We will ask why national executives made this decision and examine the consequences. We will address the design flaws of the ECB and compare them to monetary politics in the USA.

Required

Read Mario Draghi's Speech at New Jackson:

<http://www.ecb.europa.eu/press/key/date/2014/html/sp140822.en.html>

Jens Weidman (2014), Europe's Monetary Union. Making it Prosperous and Resilient. Speech to the Harvard Centre for European Studies:

<https://www.youtube.com/watch?v=3T9NQOHbgdU>

Kathleen McNamara 'Rational Fictions (2002): Central Bank Independence and the Social Logic of Delegation.' *West European Politics* 25, no. 1: 47-76.

WH Buitter (1999): Alice in euroland. *JCMS: Journal of Common Market Studies*, 37(2), 181-209.

For a response see: De Haan, Jakob, and Sylvester CW Eijffinger (2000): "The democratic accountability of the European Central Bank: A comment on two fairy-tales." *JCMS: Journal of Common Market Studies* 38.3, 393-407.

Paul De Grauwe (2014): *The economics of monetary union*. Oxford University Press (OUP), chapters 8 & 11

Recommended

Berman, S. and McNamara, K. (1999). 'Bank on Democracy: Why Central Banks Need Public Oversight', *Foreign Affairs* 78/2 March/April: 2-9.

Joseph Stiglitz (1998) 'Central Banking in a Democratic Society.' *De Economist* 146, no. 2 (1998): 199-226.

Randall Henning (2014): *The ECB as a Strategic Actor: The Brave new World of Central Banking in the Eurozone*. Draft discussion paper.

WEEK 10 THE EUROZONE CRISIS - CAUSES

In this seminar we will ask how an international financial crisis turned into a sovereign debt crisis in the Euro area. This is arguably the most important event in the history of European economic integration since the Treaty of Rome. It cannot be understood without contextualising it within the broader global trend of capital liberalisation. We will examine three major explanations for the sovereign debt crisis: fiscal, competitiveness and financial. This will highlight the asymmetric effect of joining together qualitatively distinct ‘varieties of capitalism’ into a stateless currency – the monetary union.

Required

Philip R Lane (2012): The European Sovereign Debt Crisis, *the Journal of Economic Perspectives*, 26(3), 49-67.

Alison Johnston & Aidan Regan (2014): *European Integration and the Incompatibility of Different Varieties of Capitalism*. Forthcoming MPIfG discussion paper

Peter Hall (2012): The Economics and Politics of the Euro Crisis, *German Politics*, 21:4, 355-371.

Erik Jones (2014): *Forgotten Financial Union*. Forthcoming chapter in Mark Blyth & Matthias Matthijs, eds. *The Future of the Euro*. New York, OUP.

Recommended

Gros, Daniel, 2012: "Macroeconomic Imbalances in the Euro Area: Symptom or cause of the crisis". *CEPS Policy Brief*.

Belke, Ansgar/Christian Dreger, 2011: "Current Account Imbalances in the Euro Area: Catching up or Competitiveness". *RUHR Economic Papers*, 4-24.

Bibow, Jörg, 2012: "The Euro Debt Crisis and Germany's Euro Trilemma." *Levy Economics Institute of Bard College*, 1-42.

Buiter, Willem/Ebrahim Rahbari, 2010: "Greece and the fiscal crisis in the Eurozone". *CEPR Policy Insight*, 1-15.

Burda, Michael 2013: "The European debt crisis: How did we get into this mess? How can we get out of it?" SFB Discussion Paper, No. 2013-019.

<http://www.econstor.eu/bitstream/10419/79629/1/745234356.pdf>

Jones, Erik, 2003: "Liberalized capital markets, state autonomy and European monetary union", *European Journal of Political Research*. 42(2): 197-222.

WEEK 11 THE EUROZONE CRISIS – CONSEQUENCES

In this seminar we will ask why governments adopted then abandoned Keynesian oriented policies? Building on the theoretical compass that we have been using throughout the course, we will trace the new politics of *austerity* to interests, institutions and ideas. We will assess the merits of strengthening fiscal rules, labour market reform and constructing a banking union. It will be argued that none of these reforms address the fundamental adjustment problem facing member-states of the EMU, namely how to democratically govern a stateless currency in a global financial market (as outlined in seminar 1).

Required

Blyth, Mark. *Austerity: The History of a Dangerous Idea* (Oxford University Press 2013): Chapter 1 (page 1-18); Chapter 4 (51-92).

Klaus Armingeon & Lucio Baccaro (2012). Political economy of the sovereign debt crisis: the limits of internal devaluation. *Industrial Law Journal*, 41(3), 254-275.

S Tilford & P Whyte (2011): *Why stricter rules threaten the eurozone*. Centre for European Reform. http://cer-live.thomas-paterson.co.uk/sites/default/files/publications/attachments/pdf/2011/essay_eurozone_9_nov11-4084.pdf

Recommended

Karl Whelan (2012): *How should a banking union work?* European parliament's committee on economic and monetary affairs.

Monastiriotis, Vassilis, Niamh Hardiman, Aidan Regan, Chiara Goretti, Lucio Landi, J. Ignacio Conde-Ruiz, Carmen Marín, and Ricardo Cabral (2013): "Austerity measures in crisis countries—results and impact on mid-term development." *Intereconomics* 48, no. 1. 4-32.

WEEK 12 THE NEW GOVERNANCE OF THE EUROZONE

In this seminar we will return to the puzzle outlined in weeks 1 and 3. We will map the new governance reforms of the Eurozone and ask what these mean for the future of democracy and political economic integration in Europe.

Wolfgang Streeck (2011): "The crises of democratic capitalism". *New Left Review*, 71, September–October, pp5–30

Sergio Fabbrini (2013): "Intergovernmentalism and Its Limits Assessing the European Union's Answer to the Euro Crisis." *Comparative political studies*, forthcoming.

Peter Mair (2013): Smaghi vs. The parties: representative government and institutional constraints. Chapter 6, in Armin Schäfer & Wolfgang Streeck (2013). *Politics in an Age of Austerity*. Cambridge. Polity Press