

The Political Economy of the Eurozone

Vertiefungsseminar

1 Description

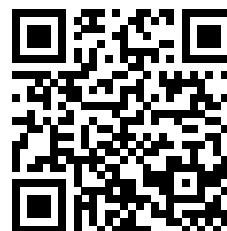
Ever since the introduction of the Euro as a common currency there has been debate about its construction and appropriateness. Likewise, the effectiveness of governance of the Eurozone was questioned. These debates were intensified by the onset of the European Sovereign Debt Crisis in 2009 and continue until today. In this class, we will analyse the economic and political effects of the Euro, causes and consequences of the crisis, and the effectiveness of governance in the Eurozone. We will discuss key actors and their decision-making powers and how the latter are affected by changes in the institutional setting of the Eurozone. The course combines political and economic perspectives. Good knowledge of statistics and mathematics is a prerequisite for participation. Language of instruction is English.

2 Contact

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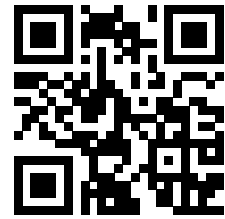
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Digital Business Card:



Office hours

Office hours are on appointment. You can book an appointment on <https://www.canumeet.com/sebk> or by scanning the following QR code with your mobile phone:



3 Learning Goals

After successful completion of the class, you will be able to:

- Understand the Economic and Political determinants of the Euro and the Economic and Monetary Union (EMU).
- Identify the main political actors in the Eurozone and understand how their powers changed over time.
- Understand the framework of fiscal governance in the Eurozone and assess the appropriateness of the institutional rules.
- Understand the European Debt Crisis and its political and economic causes.
- Understand the political and economic consequences of the European Debt Crisis.
- Understand the political responses toward the crisis.
- Assess the appropriateness of the crisis management activities.

4 Assessment

Summative

The final grade is a weighted average of the term paper (70%), a short presentation (20%) and an analytical blog post/news comment (10%).

Term paper (70%)

The term paper is a written essay of about 8000 words. I expect you to come up with your own research question. The only restriction is that your question needs to be related to the content of the course. Final approval of the question is required and will be given after the presentation of the research design. The term paper is due by midnight on 31 March 2017. Please upload your term paper on ilias in **pdf** format. Papers delivered late will not be accepted.

Presentation (20%)

In order to prepare you optimally for your term paper I expect you to present your research design on the last day of the course. The presentations are supposed to be in poster format. We will have the time for Q&A and peer feedback.

Blog post/news comment (10%)

The topic of the course is relevant in every day decision-making in the EU. There is an everflowing stream of conflicts and events in the EU/Eurozone. In order to keep up with these developments, I expect you to write a short blog post/news comment of about 600 words. The best way to approach this is to find a news article and discuss the author's interpretation critically, building on theoretical knowledge or empirical evidence. You are free to use online sources if properly linked. The blog posts are due on 31 March 2017.

Formative

- Active participation in group work and discussions
- Writing exercises.

5 ilias

Please register for the course on ilias to get access to readings and other course materials on https://ilias.uni-konstanz.de/ilias/login.php?target=crs_598406&cmd=force_login&lang=en. The password required for registration is Eurozone-K.

6 Twitter

In this class we will occasionally use twitter for discussions. You are expected to register an account on <https://twitter.com/signup> in case you do not already have one (or don't want to use your personal account). You may also want to have a look at the tweetchat online app on <https://tweetchat.com>. Please bring either a laptop or a smart phone to class to be able to use twitter.

7 General Literature

- Chang, Michele. 2016. *Economic and Monetary Union*. London: Palgrave Macmillan.
- De Grauwe, Paul. 2016. *Economics of Monetary Union*. Oxford: Oxford University Press, 11th ed.
- De Haan, Jakob, Sylvester C. W. Eijffinger, and Sandra Waller. 2005. *The European Central Bank: Credibility, Transparency, and Centralization*. Cambridge (Mass.): MIT Press.
- Heipertz, Martin, and Amy Verdun. 2010. *Ruling Europe: The Politics of the Stability and Growth Pact*. Cambridge: Cambridge University Press.
- Hodson, Dermot. 2011. *Governing the Euro Area in Good Times & Bad*. Oxford: Oxford University Press.
- Sanchis i Marco, Manuel. 2014. *The Economics of the Monetary Union and the Eurozone Crisis*. Heidelberg and New York: Springer.
- Stiglitz, Joseph E. 2016. *The Euro and its threat to the future of Europe*. London: Allen Lane.
- Tuori, Kaarlo, and Klaus Tuori. 2013. *The Eurozone Crisis: A Constitutional Analysis*. Cambridge: Cambridge University Press.

Useful Online Resources

- European Commission - DG Economic and Financial Affairs
- The Eurogroup
- European Central Bank
- Euractiv
- EUobserver
- voxeu

8 Sessions

Day 1 - History and Economics of the Eurozone

Literature:

- Chapter 1: “History of Economic and Monetary Union”. In: Chang, Michele. 2016. *Economic and Monetary Union*. London: Palgrave Macmillan, pp. 1-34.
- Chapters 1-3, De Grauwe, Paul. 2016. *Economics of Monetary Union*. Oxford: Oxford University Press, 11th ed., pp. 3-98.
- Chapters 5-7. In: De Grauwe, Paul. 2016. *Economics of Monetary Union*. Oxford: Oxford University Press, 11th ed., pp. 101-155.
- Chapter 2: “Historical background”. In: Issing, Ottmar. 2008. *The Birth of the Euro*. Cambridge: Cambridge University Press, pp. 3-51.
- Silva, J.M.C. Santos, and Silvana Tenreyro. 2010. ‘Currency Unions in Prospect and Retrospect’. *Annual Review of Economics* 2 (1): 51–74.

Day 2 - Monetary Policy in the Eurozone

Literature:

- Chapter 3. *The European Central Bank*. In: Chang, Michele. 2016. *Economic and Monetary Union*. London: Palgrave Macmillan, pp. 64-92.
- Chapter 8 and 9. In: De Grauwe, Paul. 2016. *Economics of Monetary Union*. Oxford: Oxford University Press, 11th ed., pp. 156-213.
- Hallett, Andrew Hughes, and John Lewis. 2015. ‘Monetary Policy and Sovereign Debt: Does the ECB Take the Eurozone’s Fiscal Risks into Account?’ *Empirica* 42 (3): 499–520.
- Hodson, Dermot. 2011. ‘The rise and fall of the Eurogroup’. In: Hodson, Dermot. 2011. *Governing the Euro Area in Good Times & Bad*. Oxford: Oxford University Press.

Day 3 - Fiscal Policy and EMU

Literature:

- Alt, James, David Dreyer Lassen, and Joachim Wehner. 2014. 'It Isn't Just about Greece: Domestic Politics, Transparency and Fiscal Gimmickry in Europe'. *British Journal of Political Science* 44 (4): 707–16.
- Amtenbrink, F. and J. de Haan. 2003. 'Economic Governance in the European Union - Fiscal Policy Discipline Versus Flexibility'. *Common Market Law Review* 40:1057-1106
- Hallett, Andrew Hughes, and Svend E. Hougaard Jensen. 2012. 'Fiscal Governance in the Euro Area: Institutions vs. Rules'. *Journal of European Public Policy* 19 (5): 646–64.
- Chapter 4: *The functional logic behind the SGP* In: Heipertz, Martin, and Amy Verdun. 2010. *Ruling Europe: The Politics of the Stability and Growth Pact*. Cambridge: Cambridge University Press. pp. 64-84.
- Kelemen, R. Daniel, and Terence K. Teo. 2014. 'Law, Focal Points, and Fiscal Discipline in the United States and the European Union'. *American Political Science Review* 108 (2): 355–70.
- Koehler, Sebastian, and Thomas König. 2015. 'Fiscal Governance in the Eurozone: How Effectively Does the Stability and Growth Pact Limit Governmental Debt in the Euro Countries?' *Political Science Research and Methods* 3 (2): 329–351.
- Rae Baerg, Nicole, and Mark Hallerberg. 2016. 'Explaining Instability in the Stability and Growth Pact'. *Comparative Political Studies* 49 (7): 968-1009.
- Chapter 2: *The Economic Rationale of Fiscal Rules in OCAs: The Stability and Growth Pact and the Excessive Deficit Procedure*. In: Sanchis i Marco, Manuel. 2014. *The Economics of the Monetary Union and the Eurozone Crisis*. Heidelberg and New York: Springer. pp. 13-28

Day 4 - The Crisis and institutional reform

Literature:

- Authers, John. 2013. *Europe's Financial Crisis*. London: FT Press.

- Basu, Kaushik, and Joseph E. Stiglitz. 2015. 'Sovereign Debt and Joint Liability: An Economic Theory Model for Amending the Treaty of Lisbon'. *Economic Journal* 125(586): F115–30.
- Blavoukos, Spyros, and George Pagoulatos. 2008. 'Negotiating in Stages: National Positions and the Reform of the Stability and Growth Pact'. *European Journal of Political Research* 47 (2): 247–267.
- Censolo, Roberto, and Caterina Colombo. 2016. 'The Impact of the Crisis on Fiscal Convergence in the EU: The Early Signs'. *Journal of European Integration*, 703–17.
- Chang, Michele, and Patrick Leblond. 2015. 'All in: Market Expectations of Eurozone Integrity in the Sovereign Debt Crisis'. *Review of International Political Economy* 22 (3): 626–55.
- Iversen, Torben, David Soskice, and David Hope. 2016. 'The Eurozone and Political Economic Institutions'. *Annual Review of Political Science* 19 (1): 163–85.
- Jones, Erik, R. Daniel Kelemen, and Sophie Meunier. 2016. 'Failing Forward? The Euro Crisis and the Incomplete Nature of European Integration'. *Comparative Political Studies* 49 (7): 1010–34.
- Lane, Philip R. 2012. 'The European Sovereign Debt Crisis', *Journal of Economic Perspectives* 26(3): 49-68.
- Savage, James D., and Amy Verdun. 2016. 'Strengthening the European Commission's Budgetary and Economic Surveillance Capacity since Greece and the Euro Area Crisis: A Study of Five Directorates-General'. *Journal of European Public Policy* 23 (1): 101–18.
- Steinbach, Armin. 2015. 'The Mutualization of Sovereign Debt: Comparing the American Past and the European Present'. *Journal of Common Market Studies* 53 (5): 1110–25.

Day 5 - Presentations and Q & A

Session 13

On Day 5 we will use the time for Poster presentations, Feedback and Q&A.