THE POLITICAL ECONOMY OF THE EUROPEAN UNION

IR 760/PO 756

Fall Semester 2014

Class Hours: Tuesdays 2-5
Location: IRC 220

Instructor:

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Tuesdays/Thursdays 11:00 – 12:30 pm and by appointment
IR 760/PO 756: THE POLITICAL ECONOMY OF THE EUROPEAN UNION

Professor Vivien A. Schmidt

CATALOGUE DESCRIPTION:
Investigates major issues of European economic integration, including the Single Market and European Monetary Union. Explores the theoretical and practical problems of integration. Considers the crisis of the Euro and its consequences for European member-state economies and democracies.

COURSE DESCRIPTION:
Between the launching of the euro in 1999 and the completion of the single market in 1992, the European Union in less than a decade achieved a level of monetary and market integration that has had no equivalent among other regional trade organizations. With the euro taking its place next to the dollar as the second reserve currency in the world, and with the European market already larger than that of the U.S., Europe has become an economic giant rivalled only by the U.S. And then the economic crisis hit, first with the financial boom and bust that began in the US in 2007 and then the sovereign debt crisis that hit in 2010. The Eurozone crisis in particular has been the defining problem not just for Europe’s economics but also its politics since 2008. It has affected all aspects of Europe’s political economy, including the Single Market. How this happened and what this has meant not just for the European Union but also for European member-states in terms of changes in their own national political economies are the main concerns of this course.

The course begins with a consideration of the European political economy in perspective in terms of what appears to be a crisis without end. This raises questions about the origins of the crisis in terms of global as well as European economic ideas, policies, and outcomes that have important consequences for the present and future of the European Union. The course then examines the specific ideas behind European economic integration along with the current remedies to the Eurozone crisis, with a discussion of neo-liberalism and ordo-liberalism (neo-liberalism with rules, the mainstay of Germanic macroeconomic thought) versus neo-Keynesianism. We next read about the European Single Market in order to understand the political processes by which it was generated and what it meant in terms of opening up markets as well as of ensuring a level playing field through competition policy and limits to state aid. We subsequently consider how the EU in the context of the Single Market project also helped to create a European and global market in finance that was also to become the source of future problems.

The following section of the course focuses on the economics and politics of monetary integration. We first examine the architecture of the single currency and the incompleteness of Economic and Monetary Union (EMU). After this, we explore the economic policies devised to solve the eurozone crisis, focused on austerity and structural reform along with the critiques and proposals for alternative policies to resolve the crisis. Subsequently, we consider the politics of economic integration by looking first at the overall picture regarding the way in which the crisis unfolded and then more closely at the ways in which different institutional actors governed (or
not) during the crisis—including the European Central Bank (ECB), the Council, the Commission, and the European Parliament.

The final sections of the course explore the impact of the economic crisis on European countries and citizens both in terms of the economics and the politics. Here, we begin with the impact of the crisis on the member-states, with readings focused on a range of countries in the center and the periphery, to see how they understood the economic crisis as well as how they coped (or not) with it. We then step back to consider questions of labor and welfare policy, considering how the eurozone crisis represents a crisis for social democracy. We end the final two sessions with a discussion of the challenges for political democracy from the crisis, and how democratic legitimacy has come increasingly into question as a result of the crisis.

The reading materials are themselves a mix of scholarly books and articles, policy-related pamphlets and briefs, and background readings. You may find it useful to read first the policy-related materials, to get a clearer sense of the events, contexts and controversies that the scholarly pieces may be addressing.

The scholarly materials are cross-disciplinary (from political science, economics, history, and sociology) and use a range of methodological approaches. These run the gamut from statistical and econometric studies through historical narratives and political interpretation, from accounts of deep political economic structures to equally deep philosophical ideas and discourses, and from studies of the economic and social policies to discussions of the political interactions. Most of the literature, however, is situated in the fields of Comparative Political Economy (CPE) and International Political Economy (IPE) as well as European Union (EU) Studies. EU Studies constitutes a field half way between the previous two fields. It is focused on a particular region in which governance has gone far beyond anything expected in IR theory (in which only the nation-state counts), but is nowhere near that seen in any nation-state, since the EU is a regional union of nation-states become member-states. Finally, regarding the analytic frameworks used in many of the scholarly materials, for CPE most of the articles employ rational choice institutionalism (focused on interests and incentive structures), historical institutionalism (focused on historically path-dependent rules and regularities) and/or discursive institutionalism (focused on ideas and discursive interactions in institutional context); for IPE most are realist/materialist (focused on state interests and how these play out in politics and economics) and/or constructivist (focused on the ideas that ‘construct’ the interests). Although these methodological issues are not the central focus of the course (which is why no theoretical readings regarding these approaches are assigned), they will be duly noted. This is because how an author frames the question using any such analytic framework often affects how and what they explain.

**Required Texts:**
Majone, Giandomenico, *Rethinking the Union of Europe Post-Crisis: Has Integration gone too far?* Cambridge: Cambridge University Press
Gamble, Andrew (2014) *Crisis without End? The Unravelling of Western Prosperity* Basingstoke: Palgrave Macmillan

The books are all available at Barnes and Noble. All other readings will be available either via the internet, from BU library via e-resources (ebooks or ejournals) or will be emailed to you, as indicated.

Students are strongly encouraged to get a subscription to the Financial Times and The Economist. Also, please also check out the internet. The EU has a very elaborate site, with a great deal of information. Check it out at [www.eurunion.org](http://www.eurunion.org) or [www.europe.org](http://www.europe.org). There is a short guide for Americans at [www.eurunion.org/infores/eurguide/eurguide.htm](http://www.eurunion.org/infores/eurguide/eurguide.htm). There is also a list of internet sites on the Center for the Study of Europe website at: [http://www.bu.edu/european](http://www.bu.edu/european) listed under the ‘resources’ link.

Websites to check out on a regular basis:

- [http://www.euractiv.com](http://www.euractiv.com) A website with all the latest information on EU institutions and policies. Sign up for the newsletters on issues of interest to you.
- Breughel ([www.bruegel.org/](http://www.bruegel.org/)): The top EU economics think-tank which carries lots of in-depth pieces.
- Also use websites from national governments and international institutions: e.g., EU Commission ([http://ec.europa.eu/index_en.htm](http://ec.europa.eu/index_en.htm)) and the ECB ([http://www.ecb.int/home/html/index.en.html](http://www.ecb.int/home/html/index.en.html)).
COURSE REQUIREMENTS:
This course will be run as a seminar. Students are expected to do all the readings (even if they may not be able to read all very thoroughly) and to be prepared to discuss them.

- There will be one major final paper (6000 words) worth 50 percent of the grade. The topic of the major paper will focus on some aspect of the single market or single currency that has been affected by the economic crisis (financial and/or sovereign debt) and will normally involve a discussion of how this has played out in one, two, or more countries.
  - Students will also provide an abstract and bibliography for their paper midway through the course at the latest, i.e., no later than October 28 (no grade).
  - Presentations of the major paper will take place during the last week of the class.
- There will be two short papers (2500 words) worth 20 percent of the grade each.
  - The short paper(s) will be based on readings from the syllabus, as write-ups of class presentations due a week after the class presentation.
  - Each student will be expected to present at least twice in the course of the semester (15 minute presentation).
- Class participation will be 10 percent of the grade.
  - As part of class participation, to help stimulate discussion, students will send in four times during the semester a set of questions about the readings for the week.

Information
The College of Arts and Sciences (CAS) Dean’s Office has requested that you be informed of the following: The last day you may drop the course without a W grade is Monday, Oct. 6. The last day you may drop the course with a W grade is Nov. 7. You are responsible for knowing the provisions of the CAS Academic Conduct Code (copies are available in CAS 105).

Academic Misconduct: All class members are expected to maintain high standards of academic honesty and integrity. You are expected to provide citations in papers for all quotations, paraphrases, and ideas taken from any source other than your own original thoughts. Boston University has very strict standards for intellectual integrity, and punishment for plagiarism is severe, and can include permanent expulsion from the university. For more on the definition of plagiarism and the standards to which you will be held, see the CAS Academic Conduct Code, available at http://www.bu.edu/academics/resources/academic-conduct-code/ or the GRS Academic Conduct Code: http://www.bu.edu/cas/students/graduate/forms-policies-procedures/academic-discipline-procedures/
COURSE READINGS:

9/2
Introduction

I European political economy in perspective

9/9
Gamble, Andrew (2014) Crisis without End? The Unravelling of Western Prosperity
Basingstoke: Palgrave Macmillan.
Majone, Giandomenico, Rethinking the Union of Europe Post-Crisis: Has Integration gone too far? Cambridge: Cambridge University Press.

II Ideas and Economic Integration: Neo-Liberalism vs Neo-Keynesianism

9/16

Policy-Related Readings:

III The Economics and Politics of Market Integration

9/23

a. The Single Market


Policy-Related Readings:


b. Creating a European and Global Market in Finance


http://politicalscience.case.edu/posnerarticle1.pdf)

IV The Economics of Monetary Integration: The Single Currency and the Euro Crisis

10/7

a. Building an Incomplete Economic and Monetary Union?


Policy-Related Readings:


Background Readings:


10/21

**b. Economic Policies for the EU and the Eurozone: Austerity and Structural Reform**

Blyth, Mark *Austerity: The History of a Dangerous Idea* New York: Oxford University Press (entire)


Policy-Related Readings:


10/28

c. Further Critiques and Alternative Economic Policies for the Eurozone

Policy-Related Readings:

V. The Politics of Economic Integration: Governing the Financial and Sovereign Debt Crises

11/4

a. The Unfolding Crisis and Complex Political Interactions

Policy-Related Readings:
Spiegel, Peter (2014) ‘How the Euro was Saved,’ Financial Times, May 11, 14, 15
Part I May 11, 2014 http://www.ft.com/intl/cms/s/0/f6f4d6b4-ca2e-11e3-ac05-00144feabd0.html#axzz39tfBzdJm
Part II May 14, 2014 http://www.ft.com/intl/cms/s/0/ac1306e-d508-11e3-9187-00144feabcd0.html#slide0
Part III May 15, 2014 http://www.ft.com/intl/cms/s/0/b4e2e140-d9c3-11e3-920f-00144feabd0.html?siteedition=intl#axzz39tfBzdJm
Matthijs, Matthias and Blyth, Mark “Why Only Germany Can Fix the Euro: Reading Kindleberger in Berlin” Foreign Affairs Nov. 17, 2011.
ECFIN explanation of Six Pack, etc:

VI. EU Institutional Actors’ Roles in Governing the Eurozone Crisis

11/11

Policy-Related Readings:

Background Readings:

VII The Member-states in the Eurozone Crisis

11/18


Johnston, Alison, Bob Hancké, and Suman Pant (2014). ‘Comparative Institutional Advantage in the European Sovereign Debt Crisis.’ Comparative Political Studies find online at BU ejournals: http://cps.sagepub.com.ezproxy.bu.edu/content/early/2014/01/20/0010414013516917.full.pdf+html

Policy-Related Articles:


Jürgen Habermas, “Germany and the Eurocrisis,” The Nation June 9, 2010
Background Readings:
Gualmini, Elisabetta and Schmidt, Vivien (2013) “State transformation in Italy and France: Technocratic versus political leadership on the road from non-liberalism to neo-liberalism” in Resilient Liberalism: European Political Economy through Boom and Bust eds. Vivien A. Schmidt and Mark Thatcher (Cambridge: Cambridge University Press)

VIII The Crisis of European Capitalism and its impact on Social Democracy

11/25 (reschedule)

Policy-Related Readings:
The Challenges for Political Democracy and Society

12/2

Skim all, but read carefully especially Chapter 4.


**Policy-Related Readings:**


Legrain, Philippe (2014) “How to Finish the Euro House.” Report for the Center for European Reform. (June)

**Background Readings:**


12/9
Last Class: Continued discussion of the challenges for democracy

Paper presentations

Final Papers due Friday, Dec. 12 via email