

Program, Table of Contents, Literature

The procedure of the European integration started in the 1950th, hence 70 years before. This seminar outlines advanced concepts, key tools and instruments that are important to the understanding of the *work-in-progress* process of economic and monetary integration in the Euro Area (EA) and Europe. It focuses on the economic and financial governance framework. This theme encompasses the methods and interests underpinning the ongoing policy debate and emerging future challenges for Europe in a global Economy. It contains three parts: **Part I** focus on the functioning of the current Euro Area (EA) and European Union. This helps to understand also the sovereign debt crisis in the EA in 2012 and to assess policy answers to the current crisis. **Part II** covers different fiscal policy issues which could be defined as a future fiscal framework. **Part III** deals with the role of the European Central Bank within an incomplete monetary union.

Seminar Requirements and Time schedule:

Students are required to submit a term paper based as a minimum on *five* journal articles, research paper, working paper or documents of this seminar. The seminar requirements contain two parts: The first consists of the presentation of a 'two-page memorandum' (40% of the final grade). It encompasses a preliminary research question and the motivation. The second part is a term paper which at least encompasses the required *five* pieces of the seminar literature. (60% of the final grade).

Time schedule: The 'Two-Page-Memorandum' needs to be uploaded by **May 19th 2021** on the course platform and to be presented online (either May 19th or May 26th).

The term paper has to be submitted as a pdf.file through the **Turn-It-In-procedure** by **July 14th 2021**.¹

Preferably, use **the Harvard style of referencing**. The term paper should not exceed 3000 words – excluding the cover page of the HWR, graphs, tables or figures and literature references. Papers exceeding 3000 words will not be graded.

Background readings for all parts of this lecture²:

This lecture uses highly relevant articles from Journals, book, documents of European institutions, working papers, and also some of the basic chapters of the textbooks, e.g. of Richard Baldwin and Charles Wyplosz (2019), *ibid.* Part V - EU Monetary and Fiscal Policies, Agnès Bénassy-Quéré and Beatrice Weder di Mauro (2020), Marcus Brunnermeier et al., Paul De Grauwe (2020), Daniel Kahneman (2011).

Please consider those literature as mandatory reading. In addition, there will be extra-references for most topics that you are expected to self-study or that are simply suggestions because they are interesting and inspiring.

¹ More information will be given a.s.a.p.

² The incomplete list and also links of literature are on pp 3 to 7.

Part I: The Economics of Monetary Union

04-07.2021 Introduction

Roadmap and Proposals for Improving the Economic and Monetary Union. European Commission (2017a) Reflection Paper & White Paper – incl. 5 Scenarios.

04-14.2021 The Fragility of the European Union and Monetary Union

“Rebooting the Eurozone: Step 1 Agreeing a Crisis Narrative” Baldwin, Beck, et al. (2015), Coeuré (2016b) The Case for Rethinking International Capital Flows, De Grauwe *ibid.*, Brunnermeier et al. (2012)

04-21.2021 Understanding the Role of EU Institutions and Open Society

Getting Europe Investing Again: Akerlof & Shiller (2009) on Investment & Expectations in Uncertain Environment, Corsetti, Feld & Koijen et al. (2016), Praet (2019), Shiller (2021) ‘and the decisions to do something positive’.

04-28.2021 Economic Policy and Governance in Time of Covid-19

The Principles of the European Semester. Bénassy-Quéré & Weder di Mauro (2020), Berger, L., Berger, N. et al. (2020), European Commission in the Covid-19-Crisis and Beyond: The European Moment (2020), Gros & Busse (2013), The ECB’s PEPP in March 2020.

Part II: Europe’s Debate on Fiscal Policy and innovative Institutions

05-05.2021 Work in Progress: The Next Steps – which Reforms are needed?

Bordo & James (2017), ECB Bulletin Mai (2019) on Fiscal Rules,

05-12.2021 Fiscal Policy Issues in Times of Covid-19: The EU COM enters the Internationale Game.

De Grauwe and Yuemei (2019), Horn, Meyer, and Trebisch (2020), Messori (2020), Marzinotto et al. (2011)

05-19.2021 The Importance of a Banking Union and Fiscal Union for a Capital Market Unions.

Acharya et al. (2017), Praet (2016b)

05-26.2021 Cont. Student’s presentation

Part III: Understanding the Role of the ECB

06-02.2021 The Monetary Transmission Process in the Incomplete EA

Draghi (2019, 2017a, 2014, 2012), Praet (2017b, 2016c)

06-09.2021 Transparency, Accountability & Communication of the ECB

Brunnermeier, et al. (2016), Fraccaroli et al. (2018), Praet (2016b), Coeuré (2017a, 2017b), European Central Bank (2017, 2014)

06-16.2021 How to Reconcile Risk Sharing and Market Discipline in the Euro Area

Bénassy-Quéré, et al. (2018), Brunnermeier, et al. (2016), De Grauwe and Yuemei (2019), Draghi (2018) Praet (2017b, 2017c), Schularick et al (2020).

06-23.2021 The New global Role of the Euro

Oksanen (2020), ECB (2020)

06-30.2021 Final session

Literature

Acharya, Viral V. and Sascha Steffen (2017) The Importance of a Banking Union and Fiscal Union for a Capital Market Unions. Working Paper 062, July 2017, ed. By The European Commission Directorate-General for Economic and Financial Affairs (ECFIN). https://ec.europa.eu/info/publications/economy-finance/importance-banking-union-and-fiscal-union-capital-markets-union_en

Akerlof, George A. and Robert J. Shiller (2009) *How Human Psychology drives the Economy, and why it Matters for Global Capitalism*. Princeton University Press. Princeton and Oxford.

Amttenbrink, Fabian (1999) *The Democratic Accountability of Central Banks: A comparative Study of the European Central Bank*. Oxford.

Baldwin, Richard and Charles Wyplosz (2019) *The Economics of European Integration*. The McGraw-Hill Education Companies, 6th, Berkshire, UK, ch. 14 (Essential Facts on Monetary Integration).

Baldwin, Richard, Thorsten Beck, Agnès Bénassy-Quéré, Olivier Blanchard, Giancarlo Corsetti, Paul de Grauwe, Wouter den Haan, Francesco Giavazzi, Danile Gros, Sebnem Kalemli-Ozcan, Stefano Micossi, Elias, Papioannou, Paolo Pesenti, Chrisopher Pissarides, Guido Tabellini and Beatrice Weder di Mauro (eds.) (2015) *Rebooting the Eurozone: – Step 1 – Agreeing a Crisis Narrative*. Center for European Studies. <https://voxeu.org/epubs/cepr-reports/rebooting-eurozone-step-1-agreeing-crisis-narrative>

Agnès Bénassy-Quéré and Beatrice Weder di Mauro (Eds.) (2020) *Europe in the Time of Covid-19*. VoxEU.org eBook. CEPR Press. Centre for Economic Policy Research, London. <https://voxeu.org/content/europe-time-covid-19>, eBook download available.

Bénassy-Quéré, Agnès, Markus K. Brunnermeier Henrik Enderlein, Emmanuel Farhi, Marcel Fratzscher, Clemens Fuest, Pierre-Olivier Gourinchas, Philippe Martin, Jean Pisani-Ferry, Hélène Rey, Isabel Schnabel, Nicolas Véron, Beatrice Weder di Mauro, Jeromin Zettelmeyer (2019) *Euroe Area Architecture : What Reforms are still needed, and Why*.

Bénassy-Quéré, Agnès, Markus K. Brunnermeier Henrik Enderlein, Emmanuel Farhi, Marcel Fratzscher, Clemens Fuest, Pierre-Olivier Gourinchas, Philippe Martin, Jean Pisani-Ferry, Hélène Rey, Isabel Schnabel, Nicolas Véron, Beatrice Weder di Mauro, Jeromin Zettelmeyer (2018) *How to Reconcile Risk Sharing and Market Discipline in the Euro Area*. http://bruegel.org/wp-content/uploads/2018/01/PolicyInsight_91.pdf

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Bordo, Michael D. and Harold James (2017) *Partial Fiscalization: Some Lessons on Europe’s Unfinished Business*. *NBER Working Paper* No. 23220, Massachusetts, Cambridge. <http://www.nber.org/papers/w23220>

Brunnermeier, Markus K., Harold James and Jean-Pierre Landau (2016) *The Euro and the Battle of Ideas*. Princeton University Press. Princeton and Oxford.

Brunnermeier, Markus K. (2012) Macroprudential Regulation: Optimizing the Currency Area. In, *The Great Financial Crisis: Lessons for Financial Stability and Monetary Policy*. European Central Bank, Frankfurt/Main (ECB Colloquium 2010)

<https://www.ecb.europa.eu/pub/pdf/other/greatfinancialcrisisecbcolloquiumpapademos201206en.pdf?fb1c70a813247cb4b40312fe2a88029>

Corsetti, Giancarlo, Lars P. Feld, Ralph Koijen, Lucrecia Reichlin, Ricardo Reis, Hélène Rey, and Beatrice Weder di Mauro (2016) Reinforcing the Eurozone and Protecting the Open Society. Monitoring the Eurozone 2. *CEPR, Centre for Economic Policy Research*, London. <https://voxeu.org/article/reinforcing-eurozone-and-protecting-open-society>

Cœuré, Benoît (2017a) The Transmission of the ECB monetary policies in standard and non-standard times. <https://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp170911.en.html>

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Cœuré, Benoît (2016b) The Case for Rethinking International Capital Flows. Speech by Cœuré, former Member of the ECB Executive Board, Conference on "Rethinking Capital Controls and Capital Flows", Paris, 15 September 2016. https://www.ecb.europa.eu/press/key/date/2016/html/sp160915_1.en.html

De Grauwe, Paul (2020) *The Economics of Monetary Union*. Oxford University Press. 13th Edition. Book

De Grauwe, Paul and Yuemei, Ji (2019) Rethinking Policy Choices in the Euro Area. <https://voxeu.org/article/rethinking-fiscal-policy-choices-euro-area>

De Grauwe, Paul (2015) Design Failures in the Eurozone. <https://voxeu.org/article/design-failures-eurozone>

De Grauwe, Paul (2011) The EU Governance of A Fragile Eurozone. CEPS Working Document. Center for European Studies. *Thinking Ahead For Europe*. WP No. 346. <https://www.ceps.eu/wp-content/uploads/2011/05/Wd%20346%20De%20Grauwe%20on%20Eurozone%20Governance.pdf>

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<https://www.youtube.com/watch?v=6IKvC5iWkOA&feature=youtu.be>
<https://www.ecb.europa.eu/press/key/date/2018/html/ecb.sp180919.en.html>

Draghi, Mario (2017a) The interaction between Monetary Policy and Financial Stability in the Euro area. Keynote speech at the First Conference on Financial Stability organised by the Banco de España and Centro de Estudios Monetarios y Financieros, Madrid, 24 May 2017. https://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp170524_1.en.html

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European Central Bank (2020b) ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP) Press Release on March 18th 2020 https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html

European Central Bank (2019) Bulletin May 2019. Fiscal Rules in the Euro Area and Lessons from Other Monetary Unions. Prepared by Nadine Leiner-Killinger and Carolin Nerlich https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201903_02~e835720b96.en.html#toc3

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European Commission in the Covid-19-Crisis and Beyond: The European Moment https://ec.europa.eu/commission/presscorner/detail/en/ip_20_940

European Commission (2018) EU Investment Plan https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan_en

European Commission (2017a) Reflection Paper on the Deepening on the Economic and Monetary Union. Brussels. https://ec.europa.eu/info/publications/reflection-paper-deepening-economic-and-monetary-union_en

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<http://www.bruegel.org/publications/publication-detail/publication/646-what-kind-of-fiscal-union/>

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