

European Economic Policy LV 214093.01

Winter Term 2018-19

05.10.2018 Introduction: Program, Procedure and Time Lines and Topical Introduction:

media https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast_en#media

Part I: The Economics of Monetary Union

1. The EU Economic Governance
2. Europe 2020 and EU 2025 – Roadmap and Proposals for Deepening Europe’s Economic and Monetary Union
3. Macroeconomic Imbalances in the Eurozone
4. The European Semester: Macroeconomic Imbalance Procedure and In-Debt-Review

Part II: The ECB and its Role within Monetary Integration

5. Monetary Transmission Procedure in the Eurozone
6. The ECB’s Framework
7. The LoLR Function and its Implications for the ECB
8. Proceedings the Eurozone and its Banking System and Capital Market
9. Understanding a Central Bank’s Task: Steering Market Expectations

Part III: How To Complete the Monetary Union

10. Roadmap to Economic and Fiscal Union
11. What Kind of Fiscal Policy or Fiscal Union
12. Fiscal Policy and Macroeconomic Coordination
13. A Sustainable Architecture of Finance in Europe
14. A European Monetary Funds – Current Proposals

Content

This course intends to outline advanced concepts, key tools and instruments that are central to the understanding of the *process* of economic and monetary integration in the Euro Area (EA), e.g. the European Monetary Union. This seminar introduces the issues of the European Central Bank, of designing fiscal policies in the EA and the European Union and its institutional refinements.

Essential prerequisite for the attendance of this lecture are the successful completion of the courses: Macroeconomics I, Macroeconomics II (International Economics), Theory of Economic Policies (Macroeconomics and Economic Policy).

Part I: The Economics of Monetary Union

- 12.10.2018** (1) The EU Economic Governance: Monitoring, Prevention, Correction.
https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction_en
- 19.10.2018** (2) Europe 2020 and EU 2025 – Roadmap and Proposals for Deepening Europe’s Economic and Monetary Union, The White Paper: Reflections & Scenarios on the EU 27.
- 26.10.2018** (3) European Commission: Reflection Europe 2020: Applying the Rules of the Game: Stability and Growth. https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-emu_en.pdf
- 02.11.2018** Preparatory Session
- 09.11.2018** (4) The European Semester: Macroeconomic Imbalance Procedure & In-Debt-Review
https://ec.europa.eu/info/publications/2017-european-semester-alert-mechanism-report_en
 Gros and Busse (2013), Key indicators https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/key-indicators-euro-area_en

Part II: The ECB, Monetary Integration and Banking Union in the EU

- 16.11.2018** (5) Monetary Transmission Process in the Eurozone. Lit.: Coeuré (2017a), Praet (2016b)
- 23.11.2018** (6) + (11) The ECB’s Framework: Lit.: Coeuré (2017b), European Central Bank (2017)
- 30.11.2018** (7) Student’s First Presentation
- 07.12.2018** (8) Understanding a Central Bank’s Task: Steering Market Expectations Draghi (2012-17)
- 14.12.2018** (9) Accountability and its Implications for the ECB Fraccaroli et al. 2018
- 21.12.2018** (10) + (13) Preparatory session

Part III: How To Complete the Monetary Union

- ~~**04.01.2019** (10) Proceedings the Euro Area and its Banking System and Capital Market.~~
- 11.01.2019** (11) What Kind of Fiscal Policy or Fiscal Union. Bordo & James (2017), Truger (2016)
- 18.01.2019** (12) Student’s Second Presentation
- 25.01.2019** (13) A Sustainable Architecture of Finance in Europe
- 01.02.2019** (14) A European Monetary Funds – Current Proposals
- 08.02.2019** (15) Retrospective und Summary

Literature

- 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.
- Baldwin, Richard and Charles Wyplosz (2015)** *The Economics of European Integration*. The McGraw-Hill Education Companies, 5th, Berkshire, UK, ch. 14 (Essential Facts of Monetary Integration).
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- Belke, Ansgar, Daniel Gros and Gunther Schnabl (2016)** Das europäische Verfahren zur Vermeidung und Korrektur von Leistungsbilanzungleichgewichten. *Wirtschaftsdienst*, Heft 8, pp. 548-556.
- 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>
- Burda, Michael and Charles Wyplosz (2013)** *Macroeconomics. A European Text*. Oxford, Oxford University Press, 6th.
- 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. (2010)** Macroprudential Regulation: Optimizing the Currency Area. In, *The Great Financial Crisis: Lessons for Financial Stability and Monetary Policy*. European Central Bank, Frankfurt/Main, pp. 29-36. <https://www.ecb.europa.eu/pub/pdf/other/greatfinancialcrisisecbcolloquimpapademos201206en.pdf?fbclid=IwAR13247cb4b40312fe2a88029>
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- Corsetti, Giancarlo, Lars P. Feld, Ralph Koijen, Lucrecia Reichlin, Ricardo Reis, H el ene 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>
- Coeur e, Beno t (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>
- Coeur e, Beno t (2017b)** The ECB's Operational Framework in Post-Crisis Times. In *Designing Resilient Monetary Policy Frameworks for the Future, Proceedings – Economic Policy Symposium – Jackson Hole*, Federal Reserve Bank of Kansas City, 2017.
- De Grauwe, Paul (2016)** *The Economics of Monetary Union*. Oxford University Press. Oxford, ch. 5 (Fragility of the European Monetary Union), 6 (How to Complete the EMU?), 7 (Transition to Monetary Union).
- De Grauwe, Paul (2013)** Design Failures in the Eurozone – Can they be Fixed? *Economic Papers* No. 491/2013. http://www.ec.europa.eu/economy_finance/publications

De Grauwe, Paul (2011) The EU Governance of the Fragile Eurozone. CEPS Working Document. Center for European Studies. *Thinking Ahead For Europe*. WP No. 346.

Draghi, Mario (2017) 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.

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https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf

European Commission (2017b) The European Union's economic governance framework aims to monitor, prevent, and correct problematic economic trends that could weaken national economies or negatively affect other EU countries.

https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction_en

European Commission (2017c) Reflection Paper on the Deepening on the Economic and Monetary Union. Brussels. https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-emu_en.pdf

European Commission (2017d) Applying Rules to Growth and Stability.

https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/applying-rules-stability-and-growth-pact_en

European Commission (2017) *var. Factsheets on the EU and EA as 'work in progress':*

- European Finance Minister https://ec.europa.eu/commission/sites/beta-political/files/european-finance-minister-factsheet_en.pdf
- The European and Monetary Union Today https://ec.europa.eu/commission/sites/beta-political/files/european-finance-minister-factsheet_en.pdf
- Roadmap for a more United, Stronger and More Democratic Union, https://ec.europa.eu/commission/sites/beta-political/files/roadmap-soteu-factsheet_en.pdf

European Commission (2015) Communication from the Commission to the European Parliament, the Council, European Economic and Social Committee and the Committee of the Regions. Commission Work Program. A New Start. Strasbourg, 16.12.2014. COM (2014) 910 final.

http://ec.europa.eu/info/sites/info/files/cwp_2015_en.pdf

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Praet, Peter (2017b) Communicating the Complexity of Unconventional Monetary Policy in EMU. November 2017. <https://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp171115.en.html>

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<https://www.ecb.europa.eu/press/key/date/2017/html/sp170316.en.html>

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About the Aim of this Lecture European Economic Policy

The procedure of the European integration started in the 1950th, hence 70 years before. The focus of this lecture will also be on the current practice of the European Monetary Union. Students will learn how different macroeconomic policy rules interacts with macroeconomic fluctuation and changes in the Eurozone.

Course requirements: Students are expected to work on the course material in advance and to prepare written responses to the questions. Students are supposed to actively participate in class discussion based on the literature, which includes having studied at least the main papers of each topic given in the syllabus.

During the course there will be some time for group discussions of the preparation of individual or group results. Participation in the course is an integral part of the course and the final grade. The final grade will be calculated using the following weights for the respective grades.

Course requirements and grading: Two presentations and a term paper:

- The first presentation contains the student's outline, "One-Page-Memorandum" and the "3-Minutes-Talk" (20%). The "One-Page-Memorandum" encompasses the preliminary research question, the motivation to work on it and the most important literature.
Time frame: 23.11.2018 to 30.11.2018
- The second presentation is about 5 to 8 minutes incl. second "memorandum" (20%), maximum of 2 pages providing the research question and outline of the final term paper.
Time frame: 18.01.2019

The term paper (60%) should not exceed 3.000 words (excl. graphs & tables) and has to be submitted as a **pdf file** and **printed version** (together with the two "memos") within the course time.

The deadline for submission the term paper is on 08.02.2019.

1. The seminar paper should consist of **three** parts: *First*, the motivation why the topic and the research question is of relevance. *Second*, a comprehensive and critical discussion of the 'hard core' of the paper the authors present in their articles.
2. As a road map, when discussing the literature, the following questions may be answered: Why is the research question important? What is the starting point (hypothesis or question). What are the main premises, findings, implications & conclusion? Why is a paper convincing – why not?
3. The *third* part will present your own findings and line of arguments. Are they consistent with the results in the literature?

Be formally correct. Preferably, use the Harvard style of referencing.

The paper should not exceed 3000 words (excluding cover page, graphs, tables or figures and literature references). This is a hard upper bound; anything above 3.000 words will not be graded. The paper should be handed in paper form and as pdf on **08.02.2019** to elke.muchlinski@hwr-berlin.de. I will use class participation as a heuristic for moving people up or down by as much as a half-grade at the end of the course.