

European Integration at a Crossroads: The Politics of the Eurozone Economic Crisis

Advanced Undergraduate Seminar

Fall Semester

Instructor Information

Instructor: Pablo Fernandez-Vazquez

Office hours: T 9-10am, Th 1.30-3pm *or by appointment*

Office: Commons 354

Email: pablo.fernandezvz@gmail.com

Course Information

Time: T and Th 10am-Noon

Location: Commons 351

Course Description

The global economic crisis that started in 2007 has hit the Eurozone countries particularly hard. Sovereign debt, public deficits and unemployment rates have reached record levels in the Euro periphery while euroskeptic challenges to the European integration are rising in several countries.

This course explores the political determinants and consequences of the Euro crisis. It analyzes how national political processes helped fuel the crisis in the periphery and conditioned European-level responses to it, discusses the democratic deficit of EU decision-making institutions, and explores how the crisis is reshaping the party systems of several European countries.

A clear understanding of the political dimension of the Eurozone crisis is particularly relevant since the current malaise highlights how the process of European integration faces an intrinsically political choice: it must face the following “trilemma”: European countries must choose two out of three of the following attributes: monetary and fiscal integration, national sovereignty, and democratic politics. The three are simultaneously incompatible and therefore the Eurozone must choose between 1) Economic integration supported by intergovernmental bargaining, 2) a federal Europe —economic integration with democratic politics—, and 3) the break-up of the Euro, which ensures national sovereignty and democracy at the expense of monetary integration.

Learning Outcomes

By the end of the course, students who have successfully completed this seminar will be equipped to:

1. *Understand why European countries face a defining choice between three partially competing goals: economic and monetary integration, the primacy of nation-states, and democratic responsiveness.*
2. *Evaluate to what extent electoral incentives shaped the political response to the sovereign debt crisis.*
3. *Formulate analytical arguments on how the democratic deficit of European institutions can be addressed.*
4. *Map the change in the party system of European countries in the last 5 years.*

Course materials

Several required readings are assigned each week. These reading materials are drawn from a wide range of books and journals and will be made available through the course's online platform (Blackboard). They can also be accessed through the online library catalogue. All required readings must be completed before the seminar for which they are assigned. Please see the "Course Schedule" section below for a detailed calendar of weekly readings.

Course Assessment

Grades for this course will be assigned according to the following criteria:

In-class participation	10%	<i>Ongoing</i>
Short essay I	15%	<i>Due September 25th</i>
Midterm exam	20%	<i>October 21st</i>
Short essay II	15%	<i>Due November 20th</i>
Final exam	40%	<i>December 9th</i>

- *In-class participation:* Class participation is different from attendance. Students are encouraged to actively engage in class activities, ask questions and contribute to class discussions. In order to do so effectively, students are expected to do the assigned readings in advance of the class session. Students who do not feel comfortable speaking in class must contact me by the end of the second week of class at the latest.
- *Short essay I:* Students are expected to write an essay reporting the evolution of the vote for euroskeptical parties since the creation of the Euro as well as the magnitude of support for mainstream parties.

- *Short essay II*: Students will be asked to write an analytical essay (2-4) pages discussing which of the three potential outcomes in the “trilemma” is the Eurozone most likely to opt for.
- ***Midterm and final exams***: Both the midterm and the final exams will have two parts. In the first part, students answer two short questions (out of 4 options) regarding the basic analytical concepts covered in class. The second part will be an essay question (to choose from 2 options).

The opportunity to take a make-up exam will only be offered in extremely rare circumstances. A doctor’s note or a letter from the Dean will be required to be eligible to take the make-up exam. If an *unanticipated* emergency causes you to miss the exam, please contact me as soon as possible.

Course Schedule

The following course schedule presents the topics that will be discussed each week. Readings are assigned for each session. **All readings are required.** Please do the readings in the order specified.

Week 1. Europe at a Crossroads: Economic Integration, National Sovereignty and Democratic Politics

- a) *August 26th*: Description of the course structure, learning goals and student assessment.
- b) *August 28th*: The “trilemma” of the European integration. Required reading:
- Rodrik, Dani. 2011. *The Globalization Paradox: Democracy and the Future of the World Economy*. W. W. Norton and Co. Chapter 9 “The Political Trilemma of the World Economy”

Week 2. The Origins of the European Monetary Union

- a) *September 2nd*: Economic explanations. Required readings:
- Moravcsik, Andrew. 1998. *The Choice for Europe*. Cornell University Press. Introduction, chapters 1, 4 and 6.
 - James, Harold. 2012. *Making the European Monetary Union*. Harvard University Press. Introduction, chapters 2 and 5-7
- b) *September 4th*: Political foundations. Required readings:
- Feldstein, Martin. 1997. The Political Economy of the European Economic and Monetary Union: Political Sources of an Economic Liability. *Journal of Economic Perspectives*, Vol. 11, no. 4
 - Der Spiegel. 2010. The Price of Unity: Was the Deutsche Mark Sacrificed for Reunification?. September 30th. [[link](#)]

Week 3. What Went Wrong: Credit bubbles, Institutional Deficiencies of the Monetary Union and National Political Constraints

- a) *September 9th*: Structural factors: an incomplete monetary union. Required readings:

- Peter A. Hall. 2013. Anatomy of the Euro Crisis. The Political Economy of the Continent at Cross-Purposes. Harvard Magazine, July- August
- De Grauwe, Paul. 2014. *The Economics of Monetary Union*. Oxford University Press. Chapter 5.

b) *September 11th*: Why the political process did not soften the negative consequences of the incomplete architecture of the EU. Required readings:

- Roldán Monés, Antonio. 2013. Financial Windfalls and Institutional Deterioration: Evidence from the EMU. Manuscript, London School of Economics.
- Bastasin, Carlo. 2015. *Saving Europe: Anatomy of a Dream*. Brookings Institution Press, chapters 3 and 4.

Week 4. How National Politics Conditioned the Approach to the euro crisis

a) *September 16th*: National interests and short-term electoral pressures. Required readings:

- Frank Schimmelfennig. 2015. Liberal intergovernmentalism and the euro area crisis. *Journal of European Public Policy*, forthcoming.
- The Economist. 2010. State of Schock? Why North Rhine-Westphalia Matters. May 7th [[link](#)]
- Financial Times. 2012. Rajoy's tactics fail in Andalusia. March 26th. [[link](#)]

b) *September 18th*: Public opinion support for bailouts. Required readings:

- Bechtel, Michael M., Jens Hainmueller, and Yotam Margalit. 2014. Preferences for International Redistribution: The Divide over the Eurozone Bailouts. *American Journal of Political Science*.
- Kuhn, Teresa and Florian Stoeckel. 2014. When European Integration Becomes Costly: The Euro Crisis and Public Support for European Economic Governance. *Journal of European Public Policy*, Volume 21, Issue 4.

Week 5. The Democratic Deficit of EU Institutions

a) *September 23rd*: Democratic legitimacy. Required readings:

- Scharpf, Fritz. 1999. *Governing in Europe: Effective and Democratic?* Oxford University Press. Introduction and chapter 1.

- Moravcsik, Andrew, 2002. In Defence of the ‘Democratic Deficit’: Reassessing the Legitimacy of the European Union. *Journal of Common Market Studies*, Vol. 40, No. 4, pp. 603-34.
- Hix, Simon. 2008. *What is Wrong with the European Union and How to Fix It*. Polity Press. Chapters 3-5.

b) *September 25th*: [**First short essay due**]. Democratic accountability. Required readings:

- Hobolt, Sara and James Tilley. 2014. *Blaming Europe? Responsibility Without Accountability in the European Union*. Oxford University Press. Chapters 1-2 and 8-9.

Week 6. The Trilemma Again: Economic Integration, National Sovereignty and Democratic Responsiveness

a) *September 30th*: Globalization and room of maneuver of national governments in economic policy. Required readings:

- Ezrow, Lawrence and Timothy Hellwig. 2014. Responding to Voters or Responding to Markets? Political Parties and Public Opinion in an Era of Globalization. *International Studies Quarterly*. Volume 58, Issue 4, pages 816-827.

b) *October 2nd*: How European integration has challenged democratic responsiveness. Required readings:

- Scharpf, Fritz. 1999. *Governing in Europe: Effective and Democratic?* Oxford University Press. Chapters 2-4
- Sen, Amartya. 2012. The Crisis of European Democracy. *New York Times*, May 22nd.

Week 7. The Rise of Euroskepticism

a) *October 7th*: Euroskepticism and the vindication of national sovereignty. Required readings:

- Halikiopoulou, Daphne, Kyriaki Nanou and Sofia Vasilopoulou 2012. The Paradox of Nationalism: The Common Denominator of Radical Right and Radical Left Euroscepticism. *European Journal of Political Research* 51: 504-539.
- Maggini, Nicola. 2014. The Electoral Progress of the Populist and Eurosceptic Right. in Lorenzo de Sio, Vincenzo Emmanuele and Nicola Maggini. *The European Parliament Elections of 2014*. CISE Centro Italiano Studi Elettorali.

b) *October 9th*: The consequences of bailout fatigue for electoral politics in creditor countries. Required readings:

- Mudde, Cas. 2012. The Dutch Elections Are a Victory for Pro-European Parties, but There Is Growing Opposition to The EUs Bailout Policies. LSE EUROPP. [[link](#)]
- Arter, David. 2011. Taking the Gilt off the Conservatives' Gingerbread: The April 2011 Finnish General Election. *West European Politics*, Volume 34, Issue 6.
- Berbuir, Nicole, Marcel Lewandowsky and Jasmin Siri. 2014. The AfD and its Sympathisers: Finally a Right-Wing Populist Movement in Germany? *German Politics*. Published Online 24 Nov 2014.

Week 8. FALL BREAK

Week 9. MIDTERM EXAM and review

a) *October 21st*: Midterm exam

b) *October 23rd*: In-class review of midterm exam.

Week 10. The Political Consequences of Fiscal Consolidation

a) *October 28th*: Party system changes. Required readings:

- Hernandez, Enrique and Hanspeter Kriesi. 2014. The electoral consequences of the financial and economic crisis in Europe. Manuscript, European University Institute.
- Legrain, Philippe. 2014. The Disenchantment of Europe. *Project Syndicate*, June 5th.

b) *October 30th*: Popular protest. Required readings:

- Ponticelli, Jacopo and Hans-Joachim Voth 2011. Austerity and Anarchy: Budget Cuts and Social Unrest in Europe, 1919-2009. Discussion Paper Series n. 8513, London: Centre for economic policy research.
- Beissinger, Mark and Gwendolyn Sasse 2011. An End to Patience? The 2008 Global Financial Crisis and Political Protest in Eastern Europe, Paper prepared for the Oxford-Princeton Conference Popular Reactions to the economic Crisis, Nuffield College, June 25-26, 2011.

Week 11. Narratives of the Euro Crises and the Reinforcement of National Stereotypes

a) *November 4th* and *November 6th*. Required readings:

- Muller, Jan-Werner. 2012. Europe's Perfect Storm. The Political and Economic Consequences of the Eurocrisis. *Dissent*, Fall 2012.
- Ntapoudi, Ioanna. 2014. The Eurozone Crisis and the Politics of Blaming: Narratives, Identities and Discursive Patterns. Manuscript, Aston University.
- Pew Research Center. 2013. The New Sick Man of Europe: the European Union. Chapter 3. [[link](#)]

Week 12. The Way Ahead (1): Greater Fiscal and Banking Integration

a) *November 11th*: The economic case. Required readings:

- Notre Europe, 2012: Completing the Euro: A Road Map toward Fiscal Union in Europe. Report of the Tommaso Padoa Schioppa Group. Paris: Notre Europe Institut Jacques Delors. [[link](#)]
- De Grauwe, Paul. 2014. *The Economics of Monetary Union*. Oxford University Press. Chapter 6.
- Weidmann, Jens. 2013. The Monetary Union as a Community of Stability. Speech at the Bundesbanks Parliamentary Evening. Regional Office in Hamburg, Mecklenburg-West Pomerania and Schleswig-Holstein, Hamburg, August 29. [[link](#)]

b) *November 13th*: Public opinion support for greater European integration. Required readings:

- Pew Research Center. 2013. The New Sick Man of Europe: the European Union. Chapter 2. [[link](#)]
- Daniele, Gianmarco and Benny Geys. 2014. Public support for European fiscal integration in times of crisis. *Journal of European Public Policy*. Published online: 02 Dec 2014.

Week 12. Addressing the EU Democratic Deficit

a) *November 18th* and *November 20th*: Proposals for the reform of the EU political process. Required readings:

- Hix, Simon. 2008. *What Is Wrong with the European Union and How to Fix It*. Polity Press. Chapters 8 and 9.
- The Economist. 2012. An Ever-deeper Democratic Deficit. May 26th.
- Riegert, Bernd. 2014. TV debate Tries to Spice Up EU Election Campaign. *Deutsche Welle*, May 16th.

Week 13. THANKSGIVING HOLIDAY from November 24th to November 30th

Week 14. The Way Ahead (2): A Euro Break-Up

a) *December 2nd*: The economic case for the break-up of the Euro. Required readings:

- Lachman, Desmond. 2010. Can the Euro Survive? London, Legatum Institute (December).
- Roubini, Nouriel. 2011. The Eurozone Heads for Break Up. *Financial Times*, June 13th.

b) *December 4th*: Political feasibility. Required readings:

- Roth, Felix, Lars Jonung and Felicitas Nowak-Lehmann. 2012. Public Support for the Single European Currency: Does the Financial Crisis Matter?. Manuscript, Lund University.
- Hobolt, Sara B. and Patrick Leblond. 2014. Economic Insecurity and Public Support for the Euro, in Nancy Bermeo and Larry Bartels, *Mass Politics in Tough Times: Opinions, Votes, and Protest in the Great Recession*. Oxford University Press
- European Commission. 2014. The Euro Area. Flash Eurobarometer 405. October.

Week 15.

December 9th: **FINAL EXAM**