

# **Politics, Institutions and Economy in 21<sup>st</sup> Century Europe**

**POL 147A Western European Politics**

**Course teacher:**

Mr Julius Sen

## 1. Aims and Objectives

The political atmosphere in Europe is undergoing a dramatic change with a combination of forces at work in different ways in different countries. At the same time, this has triggered a profound rethink about the institutional and organizational character of the European project. Both centrifugal and centripetal forces are simultaneously evident in these debates about the future of Europe.

The current process began with the financial crisis, more particularly from 2009 onwards, with unemployment surging and social disruption looming. Banks – widely perceived as being the cause of the crisis - were being bailed out while workers across the continent – widely seen as being victims of the crisis - were being laid off. Quantitative Easing, designed to help revive asset values and to encourage growth, succeeded only in the first of these objectives further exacerbating the sense of division in society. Politically, these divisions were reflected in the growth of extreme left and right movements, but institutionally these measures prompted a rethink of the institutional architecture of the European Union, leading rather paradoxically to suggestions for deeper integration.

In the meantime, government debt soared as a result of the bailouts and increased welfare payments, to which the chosen policy response was to impose harsh austerity measures. This only served to delay recovery and further intensify the unemployment problem and the social distress that this was causing. Greece and Cyprus were emblematic of a strongly held sense of European policy failure in this regard.

Into this toxic mix was added the refugee problem, which has further divided European opinion and exposed serious fault lines across the whole system. Founding principles of the separation of religion from politics and of solidarity have been exposed to a reality that no one really wanted to face: namely that the founding principles of secular liberalism and the spirit of solidarity were being questioned as never before.

And now we have Brexit. Although no one really knows how this will play out, it is obviously of profound importance to the entire European project and possibly to the future stability of the European continent. Taken together with other developments, and the growing fear of policy paralysis in European institutions, Brexit could have far-reaching consequences.

The Idea of Europe is thus under attack from many sides and with an intensity never seen before. Interestingly and rather paradoxically however the policy response at the institutional and organizational level has actually been to strengthen European institutions and to deepen policy coordination and policy cooperation. These parallel realities, where public anger would suggest a fragmentation of the system but where policy compulsions actually require greater sharing of sovereignty, is causing further tensions within the structures of the European system.

Understanding the extraordinary mix of social, economic and political dynamics that is currently evident at the European, national and regional levels will form the core of this module. Focus within this range of issues will be on major countries within the EU taken from three categories: founding members (France, Germany and Italy), later entrants (UK and Spain) and post-communist entrants (Poland and Bulgaria). Events within these seven economies will be further analysed with reference to the emerging institutional structure within the EU, with particular reference to the European Council, the European Commission, the Council of the European Union (the Consilium) and the European Parliament.

### **2. Module Overview**

Each week you will receive 3.5 hours of instruction in the following format:

- 1 x 1.5 hour lecture
- 1 x 2 hour seminars

The lecture aims to provide an introduction to each of the weekly topics, providing an outline of the main points and developments.

The seminar, will provide an arena for developing your understand of each topic and well as a place for discussion. You must complete the readings and prepare the seminar questions in advance.

## 3. Background Reading

John McCormick, *Understanding the European Union: a concise introduction* (6<sup>th</sup> edition), 2014, Chapters 1, 6 and 9.

### Readings:

1. EurActiv, *Van Rompuy says door open for 'two-speed Europe'*, from interview on 2/07/2014, available at <http://www.euractiv.com/sections/eu-priorities-2020/van-rompuy-says-door-open-two-speed-europe-303214>
2. EurActiv, *Europe clears critical hurdle on road to banking union*, September 13 2013, available at <http://www.euractiv.com/euro-finance/europe-clears-critical-hurdle-ro-news-530436>
3. EurActiv, *We won't drop food and safety standards for TTIP, Andriukaitis tells MEPs*, available at <http://www.euractiv.com/sections/agriculture-food/we-wont-drop-food-and-safety-standards-ttip-andriukaitis-tells-meps-308818>
4. EurActiv, *European Elections 2014: different this time?* 11<sup>th</sup> September 2013, available at <http://www.euractiv.com/eu-elections-2014/eu-elections-2014-time-different-links dossier-530239>
5. European Union, *Proposal for a Single Resolution Mechanism for a Banking Union – frequently asked questions*, 10 July 2013, available at [http://europa.eu/rapid/press-release MEMO-13-675\\_en.htm?locale=en](http://europa.eu/rapid/press-release MEMO-13-675_en.htm?locale=en)
6. Jose Manuel Barroso, *Banking Union is the key next step for Eurozone integration*, in the Guardian, 30 August 2013, available at <http://www.theguardian.com/business/economics-blog/2012/aug/30/eurozone-integration-banking-union>
7. European Commission Press Release, *Commission proposes new ECB Powers for Banking Supervision as part of a Banking Union*, 12<sup>th</sup> September 2012, at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/953>
8. EurActiv, *EU leaders set vague 'priorities' for next five years*, June 2014, available at <http://www.euractiv.com/sections/global-europe/eu-leaders-set-vague-priorities-next-five-years-303000>
9. IMF, *Eurozone: more reforms needed to strengthen recovery*, 14<sup>th</sup> July 2014, available at <http://www.imf.org/external/pubs/ft/survey/so/2014/car071414a.htm>
10. IMF Global Financial Stability Report, *Intense Financial Risks: time for action*, 16<sup>th</sup> July 2012, available at <http://www.imf.org/external/pubs/ft/fmu/eng/2012/02/index.htm>

11. IMF Fact sheet, the IMF and Europe, available at <http://www.imf.org/external/np/exr/facts/pdf/euro> Hix and Crombez blog, Why the 2014 European Parliament election will be about more than protest votes, June 2013, available at <http://blogs.lse.ac.uk/europpblog/2013/06/03/european-parliament-elections-2014/>
12. European Parliament news, European Council: MEPs warn new laws need to be adopted soon in order to be able to overcome crisis, 3<sup>rd</sup> July 2012, available at <http://www.europarl.europa.eu/news/en/headlines/content/20120628STO47899/ht>
13. [pe.pdf](#)
14. European Commission, Citizens Summary: measures to improve the functioning of the Single Market (with chapters) at [http://ec.europa.eu/internal\\_market/strategy/docs/recommendation/citizens\\_summary\\_en.pdf](http://ec.europa.eu/internal_market/strategy/docs/recommendation/citizens_summary_en.pdf)
15. Tinne Heremans, Egmont Paper 43, The Single Market in need of a Strategic Relaunch, available at, <http://www.egmontinstitute.be/paperegm/ep43.pdf>
16. Europa, Multiannual Financial Framework 2014-2020, available at <http://europa.eu/newsroom/highlights/multiannual-financial-framework-2014-2020/>
17. John Peet and Stephen Tindale, Centre for European Reform Policy Brief, The EU Budget for 2014-2020: more boldness needed, 5<sup>th</sup> April 2012, available at, [http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2012/pb\\_budget\\_5a](http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2012/pb_budget_5a)
18. Mario Kolling and Cristino Seleno Leal, in Real Instituto Elcano, Austerity vs stimulus: the MFFs 2014-2020 impact on Economic Growth and Job Creation, 12<sup>th</sup> April 2012, available at [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GL\\_OBAL](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GL_OBAL)
19. Lydia de Pillis, Talks over a huge US-Europe trade deal starts this week. Here is what you need to know, in the Washington Post, 8 July 2013, available at <http://www.washingtonpost.com/blogs/wonkblog/wp/2013/07/08/talks-over-a-huge-u-s-europe-trade-deal-start-this-week-heres-what-you-need-to-know/>

20. Frederic Erixon, The Twilight of Soft Mercantilism: Europe and foreign economic power at <http://www.ecipe.org/people/fredrik-erixon/other-publications/img-630094826-0001.pdf>
21. Razeen Sally, Looking East: The European Union's New FTA Negotiations in Asia, Jan Tumlir Policy Essays, ECIPE, No 03/2007 at <http://www.ecipe.org/publications/jan-tumlir-policy-essays/looking-east-the-european-union2019s-new-trade-negotiations-in-asia-1/PDF>

- Brexit and Trade Related

1. Charles Grant of the CER on negotiating six simultaneous deals for Brexit, available at <https://www.cer.org.uk/insights/theresa-may-and-her-six-pack-difficult-deals>
2. CER on the consequences of Brexit, available at <https://www.cer.org.uk/insights/long-day's-journey-economic-night>
3. The Independent on Norway's concern about the UK joining EFTA, available at <http://www.independent.co.uk/news/world/europe/brexit-norway-uk-eu-block-veto-economic-free-trade-area-freedom-of-movement-a7181546.html>
4. Bloomberg on Greenland's experience with leaving the EU, available at <http://www.bloomberg.com/news/articles/2016-08-09/brexit-timeline-illusions-exposed-in-unusual-tale-of-greenland>
5. Institute of Fiscal Studies report on Sterling's slide, August 2016, available at <http://www.ifs.org.uk/publications/8361>
6. Institute of Fiscal Studies on EU membership, available at <http://www.ifs.org.uk/publications/8411>

- Trade

1. The CER on shaping trade deals for the 21<sup>st</sup> Century, available at [https://www.cer.org.uk/sites/default/files/pb\\_ttip\\_trade\\_8april16\\_0.pdf](https://www.cer.org.uk/sites/default/files/pb_ttip_trade_8april16_0.pdf)
2. Brexit and international trade treaties, available at <http://www.lawyersforbritain.org/brexit-trade-treaties.shtml>
3. CBI on TTIP available at <http://news.cbi.org.uk/news/5-surprising-facts-about-ttip/five-reasons-not-to-believe-everything-you-hear-about-ttip/>
4. Trade Justice Network, Investment agreements, available at [http://www.tjn.org.uk/documents/1\\_-\\_investment\\_agreements\\_-\\_the\\_basics.pdf](http://www.tjn.org.uk/documents/1_-_investment_agreements_-_the_basics.pdf)

- EU Economic and Monetary Union
  1. Bloomberg on the Banking Union, July 7<sup>th</sup> 2016, available at <http://www.bloomberg.com/quicktake/europes-banking-union>
  2. Bloomberg on the Big Ideas that Won't Fix Europe's banks, available at <http://www.bloomberg.com/view/articles/2016-08-09/the-big-idea-that-won-t-fix-europe-s-banks>
  3. [Bruegel on the EUs Fiscal Union](http://bruegel.org/2016/02/which-fiscal-union-for-the-euro-area/), available at <http://bruegel.org/2016/02/which-fiscal-union-for-the-euro-area/>
  4. IMF report on reforming fiscal governance in the EU, available at <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1509.pdf>
  
- Central Banks and the Regulation of Financial Services
  1. Wall Street Journal and the use of negative interest rates, available at <http://www.wsj.com/articles/are-negative-rates-backfiring-heres-some-early-evidence-1470677642>
  2. Letter of the Chairman of the Financial Stability Board to G20 finance ministers and central bank governors, available at <http://www.fsb.org/wp-content/uploads/FSB-Chair-letter-to-G20-Ministers-and-Governors-July-2016.pdf>
  3. Allen and Overy, the effects of Brexit on financial services, available at [http://www.allenoverly.com/SiteCollectionDocuments/AO\\_06\\_Brexit\\_Specialist\\_paper\\_Financial\\_services.pdf](http://www.allenoverly.com/SiteCollectionDocuments/AO_06_Brexit_Specialist_paper_Financial_services.pdf)
  4. Global Capital on central banks and what they should do, available at <http://www.globalcapital.com/article/z0yqtdkkn90y/why-central-banks-should-purchase-in-the-worst-way-possible>

## 4. Lecture & Seminar Timetable

The timetable below outlines the scheduled lectures for this module. Please note that any changes will be emailed to your LSE email account and updated on Moodle.

<b>1</b>	<b>Introduction: The idea of Europe</b>
Seminar questions	What concepts and ideas went into the founding of the EU, and into its changes over time?  What would a completed EU project look like?
<b>2</b>	<b>The Treaty System and how it works</b>
Seminar questions	Can the EU treaties system ever be effective?  The European Union: a quasi-federation or an intergovernmental system?
<b>3</b>	<b>Joining and Leaving the EU</b>
Seminar questions	Accession: how does it work?  Brexit: what are the issues involved?
<b>4</b>	<b>The EU budget and how it works</b>
Seminar questions	Is there a better way of organising the budget?  What is the correct balance between national and EU spending interests?
<b>5</b>	<b>Institutions of the EU: the executive</b>
Seminar questions	What is the role of the European Council and how has it changed?  What is the role of the European Commission and how does it work?
<b>6</b>	<b>Institutions of the EU: the legislature and co-decision making</b>
Seminar questions	The European Parliament: how does it work?  The Council: what does it do?

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<b>7</b>	<b>Institutions of the EU: the Central Bank</b>
Seminar questions	How does the European system of Central banks work? What is left to complete monetary union?
<b>8</b>	<b>Major policies of the EU: creating a single market</b>
Seminar questions	Where are we now? Where do we want to end up?
<b>9</b>	<b>Trade policies of the EU</b>
Seminar questions	How is the trade agenda of the EU developed? What do they want from TTIP?
<b>10</b>	<b>Concluding session: A review of what we have learned</b>
Seminar questions	The future: what happens next? Widening or deepening integration?

## 5. Assessment

The assessment of this module will consist of:

- Diagnostic Test
- Mid-Term Essay
- Final Test or Group Presentation

Further information such as assessment dates and requirements will be announced shortly.

## Module outline

### Week One – Introduction: The idea of Europe

#### A. Lecture

The idea for a united Europe has been present throughout history. From being part of the Pax Romana, to being united as a Christian entity, to being held together by a network of intermarried ruling families, to being under the rule of one country, to sharing a civilizational heritage, to the present structure – virtually everything has been tried with varying results.

Today's session will look at the idea of Europe as it emerged before and after WW II, and will explore the key components of the various strands of thinking that went into the design.

At the same time, this session will evaluate alternative ideas and what happened to them, particularly with respect to the model provided by the United States and other federal entities, and to the ideas of communism.

#### Required Lecture Readings:

1. John McCormick, *Understanding the European Union: a concise introduction* (6<sup>th</sup> edition), Chapter 2 The Idea of Europe, Palgrave Macmillan, 2014.

#### B. Seminar

Seminar sessions will be designed to give students a chance to discuss what they understand to be the different arguments in favour or against the idea of a united Europe.

#### Seminar Questions

1. What concepts and ideas went into the founding of the EU, and into its changes over time?
2. What would a completed EU project look like?

#### Required Seminar Readings:

1. Desmond Dinan, *Europe Recast: a history of the European Union*, Chapter 1, What Kind of Union, Rienner, 2004.

## Week Two – The Treaty System and how it works

### **A. Lecture**

This session will be used to provide an overview of the treaty system of the EU, and how it has transferred some but not all powers to the EU and its institutions. Also, the institutions created at different points of time and their major responsibilities. Further, to identify emerging trends, particularly with reference to the financial crisis, the powers of the ECB and the role of parliament. The focus will be on the architecture of the EU system, and the systems of decision making that operate, together with the system of rights and obligations that it imposes. Understanding how the whole system fits together and works as a unit is essential to developing a deeper idea of what is going on and who does what.

### **Required readings:**

1. John McCormick, *Understanding the European Union: a concise introduction* (6<sup>th</sup> edition), Chapter 3 The Evolution of the EU, Palgrave Macmillan, 2014.
2. Klaus-Dieter Borchardt, *The ABC of European Union Law*, EU publications, Luxembourg 2010, pages 9-28, available at [http://europa.eu/documentation/legislation/pdf/oa8107147\\_en.pdf](http://europa.eu/documentation/legislation/pdf/oa8107147_en.pdf)
3. Piotr Tosiek, *The European Union after the Treaty of Lisbon: still an intergovernmental system*, available at <http://www.jhubc.it/ecpr-riga/virtualpaperroom/072.pdf>

### **B. Seminar**

Seminar sessions will address the rather unique constitutional features of the European system, typified by the treaty arrangements and the open ended process that this involves.

### **Seminar Questions**

1. Can the EU treaties system ever be effective?
2. The European Union: a quasi-federation or an intergovernmental system?

## Required Seminar Readings:

1. Klaus-Dieter Borchardt, *The ABC of European Union Law*, EU publications, Luxembourg 2010, pages 9-28, available at [http://europa.eu/documentation/legislation/pdf/oa8107147\\_en.pdf](http://europa.eu/documentation/legislation/pdf/oa8107147_en.pdf)
2. Piotr Tosiek, *The European Union after the Treaty of Lisbon: still an intergovernmental system*, available at <http://www.jhubc.it/ecpr-riga/virtualpaperroom/072.pdf>

## Week Three – Joining and Leaving the EU

### **A. Lecture**

The European Union has established a number of institutions, some with considerable power. This session will review the overall institutional architecture of the European Union and focus on the principal institutions of the European Council, the Commission, the European Parliament, the Consilium (Council of Ministers), the European Court of Justice and the Court of Auditors. We will also look at the powers and democratic legitimacy of these institutions and how these and other bodies interact with national institutions in each member state. During this session we will be paying particular attention to the growing powers of the European parliament, and the strengthening role of the European Council.

### **Required Lecture Readings:**

John McCormick, *Understanding the European Union: a concise introduction* (6<sup>th</sup> edition), Chapter 4 The European Institutions, Palgrave Macmillan, 2014.

1. Charles Grant, *What is wrong with the European Commission?* Centre for European Reform (CER), 27 June 2013, available at: <http://www.cer.org.uk/insights/what-wrong-european-commission>
2. Charles Grant, *How to Reduce the EU's Democratic Deficit*, Centre for European Reform, 10 June 2013, available at: <http://www.cer.org.uk/in-the-press/how-reduce-eus-democratic-deficit>

### **B. Seminar**

Two features in particular stand out when looking at the evolution of the EU's institutional arrangements: the question of legitimacy and accountability and the strange nature of co-decision making. Seminar sessions will address both these debates.

### **Seminar Questions**

1. Accession: how does it work?
2. Brexit: what are the issues involved?

### Required Seminar Readings:

1. Klaus-Dieter Borchardt, *The ABC of European Union Law*, EU publications, Luxembourg 2010, pages 29-78, available at [http://europa.eu/documentation/legislation/pdf/oa8107147\\_en.pdf](http://europa.eu/documentation/legislation/pdf/oa8107147_en.pdf)
2. Charles Grant, *What is wrong with the European Commission?* Centre for European Reform (CER), 27 June 2013, available at: <http://www.cer.org.uk/insights/what-wrong-european-commission>
3. Charles Grant, *How to Reduce the EU's Democratic Deficit*, Centre for European Reform, 10 June 2013, available at: <http://www.cer.org.uk/in-the-press/how-reduce-eus-democratic-deficit>

## Week Four – The EU budget and how it works

### **A. Lecture**

The European Parliament now has equal powers with member states in the co-decision making system of the EU. This gives it a new and unique status, which is not well understood in national governments. At the same time it plays a more active and positive role in formulating policy, much to the annoyance of member states and their governments. While this new development is of enormous significance, it is not well understood.

In the current political, economic and financial crisis, the European Parliament has been particularly active in exploring ideas and suggesting deep policy reforms that will give the EU far greater supervisory and other direct power over the financial services sector in particular. For their part, many national governments are uncomfortable with these ideas and with the new-found powers of the European Parliament. With European parliamentary elections confirming a more activist role for the EP, there are concerns in national governments about the role they will play in the future.

### **Required Lecture Readings:**

1. BBC, Guide to the European Parliament: introduction, February 2014, available at <http://www.bbc.co.uk/news/world-europe-11721139>

### **B. Seminar**

The European Parliament has acquired a great deal of power over the past 20 years, and is now faced with greater challenges to make fuller use of its authority, power and influence. These seminar sessions will address some important issues in this context.

### **Seminar Questions**

1. Is there a better way of organising the budget?
2. What is the correct balance between national and EU spending interests?

### Required Seminar Readings:

1. Hix and Crombez blog, Why the 2014 European Parliament election will be about more than protest votes, June 2013, available at <http://blogs.lse.ac.uk/euoppblog/2013/06/03/european-parliament-elections-2014/>
2. European Parliament news, European Council: MEPs warn new laws need to be adopted soon in order to be able to overcome crisis, 3<sup>rd</sup> July 2012, available at <http://www.europarl.europa.eu/news/en/headlines/content/20120628STO47899/ht>
3. Civitas, EU Facts: The European Parliament, available at: <http://www.civitas.org.uk/eufacts/FSINST/IN4.htm>

## Week Five – Institutions of the EU: the executive

### A. Lecture

One outcome of the Eurozone crisis was a realisation that the architecture of the system for economic and monetary union was incomplete, and needed action in several related areas. In addition to addressing weaknesses in the authority and functions of the European Central Bank (ECB), it was recognised that further institutional reform was needed to address the requirements of a Banking Union, a Capital Markets Union and a Fiscal Union.

This session will provide an overview of the grand plan and strategy that has been developed to deal with all these issues. Subsequent sessions will look at the details for each of the policy areas to be covered.

### Required Lecture Readings:

1. The European Commission, *Completing the Economic and Monetary Union*, 2014, available at [http://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report\\_en.pdf](http://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report_en.pdf)
1. De Grauwe, Magnus, Mayer and Schmieding, *The Future of Europe's economy: disaster or deliverance?* Centre for European Reform, Chapter 3 (pages 35-44) by Thomas Mayer, available at: [http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2013/rp\\_102-7811.pdf](http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2013/rp_102-7811.pdf)
2. ECB Articles, *The European Stability Mechanism*, available at [http://www.ecb.europa.eu/pub/pdf/other/art2\\_mb201107en\\_pp71-84en.pdf](http://www.ecb.europa.eu/pub/pdf/other/art2_mb201107en_pp71-84en.pdf)
3. The Economist, *Not Cheap Enough: The ECBs latest wheeze falls flat*, 18<sup>th</sup> September 2014, available at <http://www.economist.com/news/business-and-finance/21618976-tltro?zid=295&ah=0bca374e65f2354d553956ea65f756e0>

### B. Seminar

The agenda of the EU to complete Economic and Monetary Union is both ambitious and complex. Indeed, some elements of the plan have already been implemented, or are in the process of implementation. This seminar session will explore its broader objectives and assess whether it will be effective.

## Seminar Questions

1. What is the role of the European Council and how has it changed?
2. What is the role of the European Commission and how does it work?

## Required Seminar Readings:

1. IMF, *Eurozone: more reforms needed to strengthen recovery*, 14<sup>th</sup> July 2014, available at <http://www.imf.org/external/pubs/ft/survey/so/2014/car071414a.htm>
2. IMF Global Financial Stability Report, *Intense Financial Risks: time for action*, 16<sup>th</sup> July 2012, available at <http://www.imf.org/external/pubs/ft/fimu/eng/2012/02/index.htm>
3. IMF Fact sheet, *the IMF and Europe*, available at <http://www.imf.org/external/np/exr/facts/pdf/europe.pdf>

## Week Six – Institutions of the EU: the legislature and co-decision making

### A. Lecture

The current economic crisis required the European Central Bank to provide financing directly to banks, representing a basic shift in strategy which to some critics violated its dominant mandate to control inflation, and goes beyond its powers. This was then followed by measures to acquire government bonds in secondary markets, which has recently expanded, which was again beyond their mandate – according to some. The creation of an EFSF of €440bn was further agreed as a measure to provide funds to national governments to deal with their debts, bank restructuring and other requirements. The role of the European Stability Mechanism (ESM), which has recently been created, is to become the EU's equivalent of the IMF in the near future. A decision to enhance the regulatory powers of the ECB have signalled further profound changes to EU monetary policy and the regulation of financial services.

What exactly is happening with these institutions and will these measures help restore confidence, stability and calm to the markets?

### Required Lecture Readings:

1. De Grauwe, Magnus, Mayer and Schmieding, *The Future of Europe's economy: disaster or deliverance?* Centre for European Reform, Chapter 3 (pages 35-44) by Thomas Mayer, available at: [http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2013/rp\\_102-7811.pdf](http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2013/rp_102-7811.pdf)

### B. Seminar

The seminar session will consider some of the arguments about whether these new institutions and measures will work, and moreover will contribute to a recovery.

### Seminar Questions

1. The European Parliament: how does it work?
2. The Council: what does it do?

### Required Seminar Readings:

1. ECB Articles, *The European Stability Mechanism*, available at [http://www.ecb.europa.eu/pub/pdf/other/art2\\_mb201107en\\_pp71-84en.pdf](http://www.ecb.europa.eu/pub/pdf/other/art2_mb201107en_pp71-84en.pdf)
2. The Economist, *Not Cheap Enough: The ECBs latest wheeze falls flat*, 18<sup>th</sup> September 2014, available at <http://www.economist.com/news/business-and-finance/21618976-tltro?zid=295&ah=0bca374e65f2354d553956ea65f756e0>

## Week Seven – Institutions of the EU: the Central Bank

### A. Lecture

The debate about regulating banks within the EU and in the global context is perhaps the most lively of the various current policy debates, and proposals for the ECB to exercise supervisory authority over 6000 banks. Banks are considered to be at the heart of the current crisis, and are considered responsible for ongoing difficulties in getting credit in the markets. At the same time they are benefiting from low interest rates and special funding arrangements from Central Banks to help rebuild their balance sheets. Critics however point out that many banks are simply not performing their functions efficiently or effectively and thus need to be subjected to stricter supervision.

The EU has identified more than 120 banks that they think need to be subject to special regulation and are thus working on a Banking Union.

The situation is of huge long-term significance as it will mark a major step towards deeper financial integration, and will entail the reorganisation of the current system of banking supervision. Today's seminar will review some of these debates and also discuss some recent policy options discussed at the EU and international levels.

### Required Lecture Readings:

1. European Union, *Proposal for a Single Resolution Mechanism for a Banking Union – frequently asked questions*, 10 July 2013, available at [http://europa.eu/rapid/press-release MEMO-13-675\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-13-675_en.htm?locale=en)

### B. Seminar

The Banking Union has been criticised for being too clumsy and difficult to manage, with inadequate reserves to deal with a crisis. Is this true? The seminar session will address these and other concerns.

### Seminar Questions

1. How does the European system of Central banks work?
2. What is left to complete monetary union?

## Required Seminar Readings:

1. Jose Manuel Barroso, *Banking Union is the key next step for Eurozone integration*, in the Guardian, 30 August 2013, available at <http://www.theguardian.com/business/economics-blog/2012/aug/30/eurozone-integration-banking-union>
2. European Commission Press Release, Commission proposes new ECB Powers for Banking Supervision as part of a Banking Union, 12<sup>th</sup> September 2012, at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/953>
3. EurActiv, *EU leaders set vague 'priorities' for next five years*, June 2014, available at <http://www.euractiv.com/sections/global-europe/eu-leaders-set-vague-priorities-next-five-years-303000>

## Week Eight – Major policies of the EU: creating a single market

### **A. Lecture**

While the European banking system is being scaled down and subjected to greater regulation, the requirements of the business and commercial sector are sought to be addressed through the creation of a Capital Markets Union. This involves some highly technical and legalistic reform measures covering a large number of issues and across all 28 member states.

Although still at a consultative stage, the push for a capital markets union is considered central to the completion of economic and monetary union. In some ways it is considered to be the most important single measure.

This lecture will review key elements of the proposal and the various principles that it seeks to apply.

### **Required Lecture Readings:**

1. The European Commission, *Completing the Economic and Monetary Union*, 2014, available at [http://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report\\_en.pdf](http://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report_en.pdf)

### **B. Seminar**

To complete the capital markets union will involve a host of complex reforms and institutional redesign. This seminar session will look in detail at the issues involved.

### **Seminar Questions**

1. Where are we now?
2. Where do we want to end up?

### **Required Seminar Readings:**

1. European Commission Press Release, *Capital Markets Union: an Action Plan to boost business funding and investment financing*, September 2015, available at [http://europa.eu/rapid/press-release\\_IP-15-5731\\_en.htm](http://europa.eu/rapid/press-release_IP-15-5731_en.htm)

2. PWC, *Capital Markets Union: integration of capital markets in the EU an update*, October 2015, available at <https://www.pwc.com/gx/en/banking-capital-markets/pdf/cmu-action-plan.pdf>

## Week Nine – Trade policies of the EU

### **A. Lecture**

Under the Stability and Growth Pact (SGP) that was established concurrently with the introduction of the Euro, every Eurozone country was to accept limits on debt, and adopt macro-economic policies to support these commitments.

The system was not however honoured, initially by Germany and France and then by everybody.

One of the measures institutionalised during the current crisis is a stricter and more enforceable code, called the Fiscal Compact. This sets debt-to-GDP limits for national budgets, and requires a system of peer reviews on national budgets within the Eurozone area.

This session will provide an overview of these developments and what they are supposed to achieve, and will additionally explore some of the criticisms that have been directed at the objectives of a fiscal compact.

### **Required Lecture Readings:**

1. CEPS, *The Case of the Disappearing Fiscal Compact*, November 2014, available at <https://www.ceps.eu/system/files/Fiscal%20Compact.pdf>

### **B. Seminar**

The fiscal compact has been criticised for being too restrictive and too cumbersome. This seminar session will address two interrelated questions.

### **Seminar Questions**

1. How is the trade agenda of the EU developed?
2. What do they want from TTIP?

### **Required Seminar Readings:**

1. FT *Eurozone economists survey: fiscal compact*, January 2015, available at <https://next.ft.com/content/372931b8-91cf-11e4-bfe8-00144feabdc0>

2. Citizens Information, Government of Ireland, *Fiscal Stability Treaty*, November 2013, available at [http://www.citizensinformation.ie/en/government\\_in\\_ireland/european\\_government/euro\\_area/fiscal\\_stability\\_treaty.html](http://www.citizensinformation.ie/en/government_in_ireland/european_government/euro_area/fiscal_stability_treaty.html)

## Week Ten – Concluding Session: A review of what we have learned

### A. Lecture

Through much of the Doha Round of trade negotiations the EU has been somewhat on the defensive, particularly over agriculture subsidies and market access for non-agricultural products, known as NAMA. At the same time, the EU has been trying to redesign its trade relations with developing countries (mainly former colonies) through Economic Partnership Agreements (EPAs). A bilateral trade agreements with Canada and Japan have also been negotiated, while trade relations with China always under review (China is not designated as a 'market economy' and thus faces regulatory barriers to their products – special safeguards). These too have proved difficult to negotiate and have provoked controversy. This raises broader questions about what the EU really wants from international trade, the Doha Round and EPAs, which this seminar session will explore.

But more importantly, the EU and the US have launched a bilateral discussion on concluding a major new transatlantic trade agreement (TTIP) within 2 years. This is intended to help revive economic growth, improve competitiveness, and get emerging economies to engage more seriously in the Doha negotiations in the WTO. Negotiations have however run into difficulties on both sides of the Atlantic.

In this session we will therefore try to understand why countries that believe in free trade find it so difficult to negotiate a free trade agreement.

### Required Lecture Readings:

1. Lydia dePillis, *Talks over a huge US-Europe trade deal starts this week. Here is what you need to know*, in the Washington Post, 8 July 2013, available at <http://www.washingtonpost.com/blogs/wonkblog/wp/2013/07/08/talks-over-a-huge-u-s-europe-trade-deal-start-this-week-heres-what-you-need-to-know/>

## B. Seminar

The European Union sees trade agreements as a way out of the current crisis. Of the various negotiations taking place, the Transatlantic Trade and Investment Partnership (TTIP) is considered to be the most important. The question is why the process of negotiation so complex, and what is it that the EU hopes to achieve.

### Seminar Questions

1. The future: what happens next?
2. Widening or deepening integration?

### Required Seminar Readings:

1. Frederic Erixon, The Twilight of Soft Mercantilism: Europe and foreign economic power at <http://www.ecipe.org/people/fredrik-erixon/other-publications/img-630094826-0001.pdf>
2. Razeen Sally, Looking East: The European Union's New FTA Negotiations in Asia, Jan Tumlir Policy Essays, ECIPE, No 03/2007 at <http://www.ecipe.org/publications/jan-tumlir-policy-essays/looking-east-the-european-union2019s-new-trade-negotiations-in-asia-1/PDF>