

### European Economic Governance

**Course code:** KOZNXV4VI96

**Course name :** European Economic Governance

**Course name (Hungarian):** European Economic Governance

**Number of hours per semester:** 14+14

**Credits:** 6

**Fall/Spring:** Fall

**Language:** English

**Prerequisites:** none

**Course type:** compulsory

**Department:** [Világgazdasági Intézet](#)

**Course leader:** [Benczes István Zsolt](#)

**Course description:** The economic and financial crisis of 2008-09 has posed unexpected challenges on both the global level and the regional level. Besides the US, the European Union has been the most severely hit by the current economic crisis. The financial and banking crisis on the one hand and the sovereign debt crisis on the other hand has clearly shown that without a bold, constructive and systematic change of the economic governance structure of the EU, both the sustainability of the monetary zone and the viability of the whole European integration process might be seriously undermined.

The ultimate goal of the course is, therefore, to provide students with a clear and solid understanding of the main concepts, theories and approaches related to the economic governance of the EU in general, and the EMU in particular. The course provides a historical, institutional and analytical analysis of those difficulties and deficiencies which can undermine the stability and coherence of a currency zone.

The course aims to familiarize students with the relevant international literature on European economic governance by bringing together history, economic theory, political economy issues, institutional analysis and socio-economic relations. At the end of the module, students will have the ability to critically evaluate how economic and financial globalisation affects the governance structure and policies of the EU and to consider possible remedies to the identified challenges.

**Course requirements during the semester:** 1) Each midterm exam will concentrate on the assigned reading materials plus the lectures. Lecture slides will be made available to students; however, these slides are no substitutes for your own lecture notes. If a student misses the first midterm, a re-weight (in the second midterm) can be considered by the instructor. There will be no deferred tests.

2) In-class presentations are based on a pre-assigned topic discussed with the instructor. A preliminary structure will be defined by the instructor. The short essay shall concentrate on the main points of the presentation and should be not longer than 2,000-2,200 words.

3) Students will occasionally be asked to work together in pairs or in small groups on a number of problems related to actual policy challenges and dilemmas.

#### Examination requirements:

**Assessment, grading:** 1) Midterm exams (2x35%)

2) Group presentation plus short essay (20%)

### 3) Class participation and in-class group works (10%)

**Aims, objectives and description of the course:** PART A: From the Treaty of Rome to Maastricht and Beyond

1. Global and regional governance under Bretton Woods; B&W chs. 1, 2;  
2. The birth of financial integration on a European level: The Werner plan, exchange-rate cooperation and the EMS; B&W ch. 14;  
3. Putting EMU on the agenda: The Delors Report, the Maastricht Treaty, the 1992 ERM crisis; B&W ch. 16;

4. The theory of optimum currency areas; B&W ch.15;

PART B: The European Economic and Monetary Union

5. The design of the European Economic and Monetary Union; B&W ch. 16;

6. The supranational pillar of EMU: The structure, governance and policies of the ESCB and the ECB; B&W ch. 16; ECB (2011) The monetary policy of the ECB, chs. 1 and 3.

7. Fiscal discipline and sustainability in the European Union; B&W ch.17;

PART C: Globalization and Economic Governance: The EMU Under Pressure

8. Sovereign debt crises in Europe: Lessons and challenges; B&W ch. 19;

9. European monetary policy in and after the crisis; Drudi, F., Durré, A., Mongelli, F. (2012) The interplay of economic reforms and monetary policy. *Journal of Common Market Studies* 50:6, 881-898.

10. Crisis management and crisis resolution in the E(M)U; B&W ch. 19;

PART D: The Future of European Economic Governance: Ideas and Controversies

Week 11. Strengthening financial integration: A European banking union? B&W ch. 18;

Week 12. Fiscal union in the US and the EU: Is fiscal union really feasible? Benczes, I. (2013) No exit, no bail-out, no default. So what? In: Lacina et al (eds.) *The political economy of euro-zone crisis*. Palgrave MacMillan.

**Course schedule:** Tuesdays, 950 to 1120 and 1140 to 1310.

**Learning outcomes:** By applying an interdisciplinary approach, at the end of the course students should be able to:

- have a clear picture on the historical-institutional development of EU economic governance;
- be familiar with the theories and concepts of bailing out, moral hazard, optimum currency areas, fiscal solidarity, sovereign default, etc.;
- recognise the relevant roles played by different EU institutions and bodies in economic policy-making (i.e., European Central Bank, European Commission, European Council, national authorities, etc.);
- identify the main crisis management and prevention mechanisms such as EFSF or EMS;
- critically evaluate the proposals on the future governance of the E(M)U.

**Course assessment during the semester:** 1) Each midterm exam will concentrate on the assigned reading materials plus the lectures. Lecture slides will be made available to students; however, these slides are no substitutes for your own lecture notes. If a student misses the first midterm, a re-weight (in the second midterm) can be considered by the instructor. There will be no deferred tests.

**Assignments:** 2) In-class presentations are based on a pre-assigned topic discussed with the instructor. A preliminary structure will be defined by the instructor. The short essay shall concentrate on the main points of the presentation and should be not longer than 2,000-2,200 words.

Students will occasionally be asked to work together in pairs or in small groups on a number of

problems related to actual policy challenges and dilemmas.

**Program's name:** International Economy and Business

**Readings:**

Compulsory readings:

- Baldwin, R. and Wyplosz, C. (2012) The economics of European integration. 4th edition
- McGraw Hill (B&W)
- Additionally, readings provided on moodle.

Recommended readings:

**Course professor(s)/lecturer(s):**