



School of European  
Political Economy

## Master in European Economic Governance 2020-2021

### Course Syllabus

Course	European Economic Governance
Lecturer(s)	<p>Carlo Bastasin</p> <p>Carlo Bastasin is a Senior Fellow at Brookings Institution (Washington DC) and at the LUISS School of European Political Economy (Rome)</p>
Course Description	<p>The course consists of 14 lectures. Twelve lectures will last 2 hours and two will last 3 hours. They mainly consist of a classroom-taught lesson. The lecturer may also stimulate students with questions and short discussions.</p> <p>The structure of the course entails two parts.</p> <p>Along eight lectures (18 hours) Carlo Bastasin will deal with the evolution of the European Economic Governance from its conception to the current policy initiatives.</p>
Primary References and Additional Materials	<ul style="list-style-type: none"><li>- Baldwin-Wyplosz, "The Economics of European Integration", 5th edition, McGraw-Hill, 2015.</li><li>- Bastasin: "Saving Europe – Anatomy of a Dream" Brookings Institution Press (2015)</li></ul>
Course Objectives	<p>The course aims at giving students an in-depth knowledge of the European economic governance (EEG). In particular, at the end of the course students should be able to critically assess the economic policies put in place in Europe by national governments and European institutions, having in mind both the legal</p>

	<p>framework in which policy coordination takes place in Europe and the political economy factors influencing the policy decisions. Italian events will be analyzed when appropriate during the course.</p> <p>A particular focus will be on the changes of EEG over the years, highlighting either the political economy reasons, or the theoretical evolution behind those changes. Furthermore, a special attention will be devoted to the policy initiatives that are taken during the course along the lines of the European Semester. In this context, the fiscal rule review and the implementation of the Recovery Instrument will be analyzed.</p>
Prerequisite(s)	Macroeconomics 1
Teaching Method(s)	Mostly frontal lectures
Assessment Method(s) and Grading Policy	Final written exam (80%), class attendance and active participation (20%)

### Lecture 1 (three hours)

Topic:

- 1) Principles of European Economic Governance. The fundamental theoretical pillars and the underpinnings behind their evolution. From the Musgrave principles to the Ordoliberal school; from new-keynesian approaches to the “permanent crisis” environment.
- 2) What does Governance mean. Who is governing the European economy (EMU ≠ EU). The “tension” between Nation States and the European Institutions. The historic foundations before the Maastricht Treaty and the relative references in the Maastricht Treaty.
- 3) The fiscal “tension” and the need for rules. The Maastricht criteria. The algebraic connection between public deficit and public debt. Relation between Monetary Policy and Fiscal Policy and the Stability and Growth Pact.

References:

- Instructor's lecture not
- Baldwin Wyplosz Chapter 1-2-14-16

- Delors Report
- “The Economic Policy Framework in EMU” - European Central Bank: Monthly Bulletin, November 2001 – pag. 51-65
- The Evolution of Economic Governance in EMU – European Economy – Economic Papers 328 – June 2008
- Harold James: “Making the European Monetary Union” Harvard University Press 2012

## Lecture 2

Topic:

- 1) The rationale of fiscal rules in EMU
- 2) The Stability and Growth Pact 1999-2008 - Practice and legal basis of the European economic governance: the Stability and Growth Pact. Prevention-correction-enforcement of fiscal rules.
- 3) Performance and convergence in the Euro Area between the launch of the euro and the crisis.
- 4) The first reform of the Stability Pact.
- 5) The criticism to the Lisbon Treaty and to the reform of the Stability Pact. Coordination without sanctions. A problem of weak governance.

References:

- European Commission “European Economy – Occasional paper 151 – May 2013” Vademecum
- Baldwin Wyplosz Chapter 17
- European Commission “European Economy – Occasional paper 151 – May 2013”
- [ECB Monthly Bulletin August 2005 – The Reform of the Stability and Growth Pact – pages 59 – 74](#)
- [ECB Monthly Bulletin November 2001 – “The Economic Policy Framework in EMU” pages 51 and following](#)
- [ECB Working Paper n. 1344 May 2011 – “Have Euro Area and EU Economic Governance worked? Just the facts”](#)

## Lecture 3 (three hours)

Topic:

- 1) The European crisis
- 2) The Reform of the European Economic Governance during and after the crisis - Changing the Stability and Growth Pact. The concept of the new governance. Financial emergency dictating new principles. The Report of the Van Rompuy-Task Force as a basis for future reforms.
- 3) The first signs of a new governance

## References:

- [Carlo Bastasin “Saving Europe – anatomy of a crisis”](#)
- [Strengthening Economic Governance in the EU – Report of the task force to the European Council](#)
- [ECB Monthly Bulletin March 2011 – The Reform of Economic Governance in the Euro Area – Essential Elements](#)
- [ECB – Monthly Bulletin May 2012 – “A Fiscal Compact For A Stronger Economic and Monetary Union”](#)
- Toward a Fiscal Union for the Euro Area – IMF Staff discussion note September 2013
- ETUI Working Paper 2012.14 “The new European economic governance”
- [ECB – “EMU Economic Governance” – 14/08/17](#)

## Lecture 4

### Topic:

- 1)The reform of the EEG after the crisis - A complex system of fiscal coordination
- 2)open questions
- 3)An assessment of the current EU Fiscal rules

### References:

- [Strengthening Economic Governance in the EU – Report of the task force to the European Council](#)
- [ECB Monthly Bulletin March 2011 – The Reform of Economic Governance in the Euro Area – Essential Elements](#)
- [ECB – Monthly Bulletin May 2012 – “A Fiscal Compact For A Stronger Economic and Monetary Union”](#)
- Toward a Fiscal Union for the Euro Area – IMF Staff discussion note September 2013
- ETUI Working Paper 2012.14 “The new European economic governance”
- [ECB – “EMU Economic Governance” – 14/08/17](#)
- [Marco Buti: An Assessment on EU Fiscal rules – EU Commission](#)

## Lecture 5

### Topic:

- 1) European Economic Governance in practice – A practical description of Economic Governance in the making (October 2020) and the interactions with domestic policy-making.
- 2) The Italian case

### References:

- [ECB – “EMU Economic Governance” – 14/08/17](#)
- The European Semester – Documents from the DgEcfm website

- DEF – Documento di Economia e Finanza
- The Five Presidents' reports
- Mario Draghi "Unemployment in the Euro area - Mario Draghi, 9 July 2014 "Memorial lecture in honor of Tommaso Padoa-Schioppa

## Lecture 6

Topic:

Recent reform proposals of the European Economic Governance

References:

- The Five Presidents report
- The Meseberg Agreement
- Reflection Paper of the EU Commission
- European Fiscal Board: Assessment of EU Fiscal Rules:  
[https://ec.europa.eu/info/publications/assessment-eu-fiscal-rules-focus-six-and-two-pack-legislation\\_en](https://ec.europa.eu/info/publications/assessment-eu-fiscal-rules-focus-six-and-two-pack-legislation_en)

## Lecture 7

Topic:

- 1) The Covid19 crisis and NextGeneration-EU (1<sup>st</sup> part)
- 2) The lock-down measures in response to coronavirus have halted economic activity and elicited policy responses. In the euro area, the European Central Bank has reacted with strong monetary policy and supervisory measures announced on 12 and 18 March 2020. National Governments have implemented various fiscal measures to contain the economic fallout. European state aid rules and fiscal rules have been suspended.
- 3) The common response NG-EU: The EU Council on July 21, 2020

References:

- Instructor's notes
- French-German Initiative (2020), "A French-German initiative for the European Recovery from the coronavirus crisis", Presse- und Informationsamt der Bundesregierung, 18 May, pp. 1-5.
- Non-paper (2020), "Non-paper EU support for efficient and sustainable COVID-19 recovery", 20 May, pp. 1-2.
- Official documents on Next-Generation EU, as released by the EU Council and the EU Commission
- <https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf>

- M. Buti, M. Messori: “Next Generation EU – an interpretation Guide” Sep.luiss.it <https://sep.luiss.it/brief/2020/06/15/m-buti-and-m-messori-next-generation-eu-interpretative-guide>
- C. Bastasin: “Recovery Instrument an Epochal Change in Political Economy” <https://sep.luiss.it/brief/2020/06/15/c-bastasin-recovery-instrument-un-cambio-d'epoca-nella-politica-economica>

## Lecture 8

Topic:

- 1) The Covid19 crisis and NextGeneration-EU (2<sup>nd</sup> part)
- 2) Italy's Recovery Plan
- 3) Class discussion

References:

- Official documents by the EU Council
- Italy's Recovery Plan (to be published before October 15, 2020)
- M. Messori <https://sep.luiss.it/brief/2020/06/15/m-messori-la-svolta-europea-di-next-generation-eu-opportunità-e-rischi-l'italia>
- Bastasin et alia: <https://sep.luiss.it/brief/2020/07/23/c-bastasin-l-bini-smaghi-c-de-vincenti-m-messori-s-micossi-p-c-padoan-g-toniolo-i-g>
- Buti e Messori: Questa volta l'Italia non può sbagliare <https://sep.luiss.it/brief/2020/08/21/m-buti-m-messori-questa-volta-l'italia-non-può-sbagliare>
- Toniolo G.: <https://sep.luiss.it/brief/2020/07/28/g-toniolo-next-generation-eu-una-condizionalità-virtuosa>