

College of William & Mary in Florence
Government 391, Summer 2012

Politics of the euro

Prof. Maurits van der Veen

Class

Monday-Wednesday. 14:00-17:00

Location: Linguaviva

Course description

We tend to think of money mostly in economic terms: prices, inflation, exchange rates, etc. But money is also deeply political. Creating money (coins or banknotes) is a profitable enterprise, and has historically been one of the ways states funded wars, among others. During the French revolution, the British attempted to undermine French government by counterfeiting French currency. And the euro is called euro rather than ecu (for European currency unit), which was going to be its original name, because France, way back in the 1300s, had used a coin of that name. Re-using the name might have made the euro seem too French!

This course examines the politics of the euro, the common currency adopted by more than half of the member states of the European Union. The course follows a two-track approach. In the first, we examine the national and Europe-wide experiences with the current euro crisis. In the second, we take a more historical approach. There, we begin by looking at the coins used in Florence during the early Renaissance, and at the use of Florentine coins throughout Europe at the time. Next we'll look at the politics of Italy's monetary unification in the nineteenth century, after its political unification.

We move on to international currencies by examining the late nineteenth-century Latin Monetary Union, which failed in part because the Papal State (the Vatican) tried to enrich itself and the expense of its partners in the Union. The European Union itself attempted monetary integration a few times before succeeding with the euro, and we will look into the reasons for these earlier failures. The euro itself is the focus of the last part of this second track. We'll discuss why most EU states decided to adopt the euro, even though most economists thought it was a bad idea. And we'll consider whether the current crises reflect the problems those economists predicted. Finally, the two tracks come together as we take closer look at the ongoing political struggles within the EU about the best way to solve the crisis.

Several experts have predicted that the euro will not survive to the end of 2012. Throughout the course, we will begin each class by discussing the most recent developments. By the end of the course, you will be very well positioned to make your own, well-informed predictions about the euro's future.

Course policies & requirements

This course will run as a seminar, not a lecture course. This makes it particularly important for you to do the assigned readings before class, and to arrive prepared to contribute intelligently to the class discussion. Part of your grade is based on class participation, which will be judged in terms of the quality, not just the quantity, of your contributions. To make sure you do the reading, I will cold-call, so be prepared!

During the second and third weeks, we end the week with a debate. During the second week, the debate will be on the Irish referendum on the European Stability Treaty, which will have taken place only a few days before (May 31st). During the third week, it will be on the Greek elections, which will take place only a few days later (June 17th).

In each debate, you will work in groups of 2-3 students and pick a political party whose position with respect to the euro you will defend. I will provide more information about debate specifics during the first week of class, and we will have sign-ups for these debates at the end of the week.

The final component of your grade is a written in-class exam on the last day of class. It will consist of two essays to be written in class. A list of essay questions will be made available ahead of time, so you can prepare what you plan to write ahead of time.

Grading

Your final grade will be calculated as follows:

Participation: 30% Debates: 20% each Exam: 30%

Office hours &c

I will not have formal office hours, but I'll be around much of the time, so just ask before or after class if you'd like to meet with me. We can have a coffee at the bar or meet in a café somewhere in the center of the city. We're in Italy — we might as well take advantage of it!

Readings

All readings are available on Blackboard or through the electronic journals feature of the W&M library website. In addition, I will print out one full set of the readings to be "on reserve" for those of you without easy access to a computer.

Calendar

The course syllabus is a general plan for the course; changes may be necessary as ongoing developments in the euro crisis warrant. These will be announced in class.

I. Monetary integration over the centuries

May 28 **Italy / *International currencies***

- Hopkin, Jonathan. 2011. "How Italy's democracy leads to financial crisis." *Foreign Affairs*, November. (<http://www.foreignaffairs.com/articles/136688/jonathan-hopkin/how-italys-democracy-leads-to-financial-crisis>)
- Parks, Tim. 2012. "Can Italy change?" *New York Review of Books* blog (<http://www.nybooks.com/blogs/nyrblog/2012/jan/31/can-italy-change/>)
- Dwyer, Gerald P., Jr., and James R. Lothian. 2002. "International money and common currencies in historical perspective." *CRIF Working Paper* 14 (<http://dspace.uniroma2.it/dspace/bitstream/2108/77/1/ssrn-id315081.pdf>)

May 29 **Iceland / *Multiple and competing currencies***

- Lewis, Michael. 2009. "Wall Street on the tundra." *Vanity Fair*, April. (<http://www.vanityfair.com/politics/features/2009/04/iceland200904>)
- Fantacci, Luca. 2008. "The dual currency system of Renaissance Europe." *Financial History Review* 15 (1):55-72.

May 30 **Greece / *Monetary unification over the centuries***

- Lewis, Michael. 2010. "Beware of Greeks bearing bonds." *Vanity Fair*, October. (<http://www.vanityfair.com/politics/features/2010/10/michael-lewis-greece-201010>)
- Einaudi, Luca. 2000. "'The generous utopia of yesterday can become the practical achievement of tomorrow': 1000 years of monetary union in Europe." *National Institute Economic Review* 172(1):90-104.

II. Monetary integration in Europe

June 4 **Ireland / *Optimal currency areas***

- Lewis, Michael. 2011. "When Irish eyes are crying." *Vanity Fair*, March. (<http://www.vanityfair.com/business/features/2011/03/michael-lewis-ireland-201103>)

- Horvath, Roman, and Lubos Komarek. 2002. "Optimum currency area theory: An approach for thinking about monetary integration." *Warwick Economic Research Papers*, 647.

June 5 **Spain / Latin Monetary Union**

- Stapell, Hamilton M. 2011. "Spain's election is set to worsen the crisis in Europe." *Foreign Affairs*, November 17 (online). (<http://www.foreignaffairs.com/articles/136684/hamilton-m-stapell/spains-election-is-set-to-worsen-the-crisis-in-europe>)
- Flandreau, Marc. 2000. "The economics and politics of monetary unions: A reassessment of the Latin Monetary Union, 1865-71." *Financial History Review* 7(1):25-43.

June 6 **Germany / Gold Standard and Bretton Woods**

- Lewis, Michael. 2011. "It's the economy, Dummkopf!" *Vanity Fair*, September. (<http://www.vanityfair.com/business/features/2011/09/europe-201109>)
- Kirshner, Jonathan. 2003. "Money is politics." *Review of International Political Economy* 10(4):645-660.

Debate: Irish referendum on the European Stability Treaty

III. Monetary integration in the European Union

June 11 **The start of the crisis / ERM and EMS**

- Featherstone, Kevin. 2011. "The Greek sovereign debt crisis and EMU: A failing state in a skewed regime." *Journal of Common Market Studies* 49(2):193-217.
- Frieden, Jeffrey A. 2002. "Real sources of European currency policy: Sectoral interests and European monetary integration." *International Organization* 56(4):831-860.

June 12 **Resolving the crisis / The Treaty of Maastricht and EMU**

- Grahl, John. 2012. "Politics and the euro crisis." *Middlesex University Business School Discussion*
- Eichengreen, Barry. 2010. "Ireland's rescue package: Disaster for Ireland, bad omen for the Eurozone." (<http://www.voxeu.org/index.php?q=node/5887>)
- Baun, Michael J. 1996. "The Maastricht Treaty as high politics: Germany, France, and European integration." *Political Science Quarterly* 110(4):605-624.

June 13 **Greek elections / *Introducing the euro***

- Wikipedia pages:
 - Greek government – debt crisis
(http://en.wikipedia.org/wiki/Greek_government-debt_crisis)
 - Greek legislative election, May 2012
(http://en.wikipedia.org/wiki/Greek_legislative_election,_May_2012)
- Brettschneider, Frank, Michaela Maier, and Jürgen Maier. 2003. “From D-Mark to euro: The impact of mass media on public opinion in Germany.” *German Politics* 12(2):45-64.

Debate: Greek elections

IV. Monetary crisis and the European Union

June 18 ***The future of the euro***

- Moravcsik, Andrew. 2012. “Europe after the crisis.” *Foreign Affairs* May/June (at FA website or on Blackboard)
- Fabbrini, Sergio. 2012. “Intergovernmentalism and its outcomes: The implications of the euro crisis on the European Union.”

June 19 ***Italy's future in the euro***

- Jones, Erik. 2012. “Italy's sovereign debt crisis.” *Survival* 54(1):83-110.
- A few brief articles from the *Economist* and similar sources, to be announced.

June 20 **Final Exam**