THE EURO CRISIS. POLITICAL AND ECONOMIC PERSPECTIVES.

Teacher : Anne Laure DELATTE
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BIOGRAPHICAL INFORMATION

Anne-Laure Delatte is a tenured Researcher at the French Institute for Scientific Research (CNRS). She is currently the deputy Director of CEPII, a Research Center in the network of the French Prime Minister and a member of the Conseil d'Analyse Economique, an independent, nonpartisan advisory body reporting to the French Prime Minister. Her research focuses on financial economics and international macroeconomics with an empirical approach, applied to several areas including emerging economies and more recently Europe. Her papers have been published in international journals including The *Review of Finance, European Economic Review*, *Journal of International Money and Finance*, *Review of International Economics*, *Applied Economics*, *Journal of Macroeconomics*. She is a CEPR Research Affiliate in the Financial Economics Program. She writes a monthly column for the French daily Liberation. She received her PhD in 2005 from Paris 10 University on the breakup of hard exchange rate regimes. During her Ph D. she visited the United Nations ECLAC in Buenos Aires. From 2006 to 2008 she has been a Lecturer in *Hong Kong University of Science and Technology.* Until 2013, she was an associate Professor at *Rouen Business School*. She has been visiting Princeton University for two years between 2014 and 2016 where she has taught a class on the Euro crisis.

COURSE OUTLINE

Session 1: A single currency for Europe

Required readings:

- Wyplosz, "EMU: Why and How It Might Happen", The Journal of Economic Perspectives, Vol. 11, No. 4 (Autumn, 1997), pp. 3-21*
- B. Eichengreen and J.A. Frieden, "An analytical Introduction", in The Political Economy of European Monetary Unification, Oxford : Westview Press, 2001*
- F. Van Esch (2012) Why Germany Wanted EMU: The Role of Helmut Kohl's Belief System and the Fall of the Berlin Wall, German Politics, 21:1, 34-52*

Session 2: Is the theory of optimal currency areas sufficient?

Required readings:

The economics of monetary union, Paul de Grawe, 9th Ed. Oxford, chapters 1-4*

Session 3: Is the theory of optimal currency areas sufficient? (cont.)

Required readings:

- Krugman, P. (2012). Revenge of the Optimum Currency Area. NBER Macroeconomics Annual, 27(1), 439-448
- Eichengreen, B. (1991). Is Europe an Optimum Currency Area? NBER N. 3579

Recommended readings:

- P. Lane, "The Real Effects of European Monetary Union", The Journal of Economic Perspectives, Vol. 20, No. 4 (Fall, 2006), pp. 47-66
- Kenen, P (1992). EMU after Maastricht, New York: Group of Thirty.
- Kenen, P (1999). “Outlook for EMU”, Eastern Economic Review 25(1), Winter 1999, p.113. Also available from the Peterson Institute here.
- Mundell, R. A. (1961). A theory of optimum currency areas. The American Economic Review, 657-665.

Session 4: What lessons can be learned from the US dollar experience?

Required readings:

- R. Sylla, "The transition to a monetary union in the United States, 1787–1795." Financial History Review, 13, pp 73-95 (2006)*
- Hugh Rockoff, ‘How long did it take the United States to become an optimal currency area?’, in Forrest H. Capie and Geoffrey E. Wood (eds.), Monetary Unions: Theory, History, Public Choice (London, 2003)

Recommended readings:

- Rockoff, Hugh. 1990. “The "wizard of Oz" as a Monetary Allegory”. Journal of Political Economy 98 (4). The University of Chicago Press: 739–60.

Session 6: What lessons can be learned from the US dollar experience? (cont)

Required readings:

- Bordo, Michael, Agnieszka Markiewicz, Lars Jonung (2011), “A fiscal union for the euro: Some lessons from History”, NBER Working Paper No. 17380.

Session 7: Before the crisis, the accumulation of internal imbalances

Required readings:

- J. Pisani-Ferry, The euro-crisis and its aftermath, Oxford University Press, chapter 6-8*.
- Baldwin, R. and F. Giavazzi , " Introduction" in The Eurozone Crisis, A Consensus View of the Causes and a Few Possible Remedies", A VoxEU.org eBook, Ed. Richard Baldwin and Francesco Giavazzi, Sep. 2015*
- L.A.V Catao, "Why Real Exchange Rates?", Finance and Development, September 2007*

Session 8: Bank-sovereign nexus during the crisis

Required readings:

- V. Acharya, I. Drechsler and P. Schnabl, "A Tale of Two Overhangs: The Nexus of Financial Sector and Sovereign Credit Risks", Banque de France Financial Stability Review, 16, April 2012*
- Thomas M. Humphrey, "Lender of Last Resort: The Concept in History"," Economic Review, Federal Reserve Bank of Richmond, March/April, 8-16 (1989).
- C. Wyplosz, "An Open Letter to Dr Jens Weidmann", 18 November 2011, VoxEu.*

Recommended readings:

- "CDS, Wanted: Banned or less naked", L. Pollack, Sept. 22, 2011*
- The European ban on naked sovereign credit default swaps: A fake good idea", A.L. Delatte, 23 July 2012, voxeu.com*
- A.L. Delatte, J. Fouquau and R. Portes, "Regime-Dependent Sovereign Risk Pricing during the Euro Crisis", NBER working Paper 19985
- Delatte, A.L., Gex, M., Lopez-Villavicencio, "Has the CDS market influenced the borrowing cost of European countries during the sovereign crisis?", \textit{Journal of International Money and Finance,} 31(3), 481-497

Session 9: The crisis management

Required readings:

- J. Pisani-Ferry, The euro-crisis and its aftermath, Oxford University Press, chapter 14.
- « Thanks to the ECB », Charles Wyplosz 30 July 2012

Session 9: The crisis management (cont)

Required readings:

- But where's My Phoenix? P. Krugman, Sept 14, 2013, NYT*

- Alesina, O.Barbiero, C. Favero, F. Giavazzi, M. Paradisi, Austerity in 2009-2013, Research Brief, Cato Institute, February 2015*
- Secular stagnation, US hypocondria, European disease? in Secular Stagnation: Facts, Causes and Cures, CEPR Press
- "Four observations on secular stagnation", P. Krugman in Secular Stagnation: Facts, Causes and Cures

Session 11: The political identities of European integration

Required readings:

- Spolaore, E. (2013), What Is European Integration Really About? A Political Guide for Economists, Journal of Economic Perspectives—Volume 27, Number 3—Pages 125–144
- Guiso, L. Sapienza, P. and Zingales? Monnet's Error? (2014), Brookings Panel on Economic Activity, Fall 2014

Session 12: Revamping the European project

Required readings:

- Adelman, J. A.L Delatte and T. Piketty "How to Save Euro from itself, Foreign Policy, April 4, 2016