The European debt crisis involves a number of European countries (PIGS – Portugal, Ireland, Greece, and Spain) that have encountered substantial financial difficulties and are currently unable to make payments on their government debt. These countries all use the Euro, the unit of currency associated with the European Union. PIGS have all had to borrow money from other European countries and from international organizations in order to re-finance their debt and keep up with the required payments, and they remain at risk of defaulting on these payments in the future.

The debt crisis has not yet been resolved. There are a number of potential directions in which Europe may proceed in the future. Other countries with high debt (such as Italy) may find themselves on the brink of similar financial breakdown. There is a risk that the Eurozone, or even the European Union, may collapse. Or to better respond to such crises, the different member states of the EU may decide to take the European Union to the next level and create a political system akin to a United States of Europe. The most likely path is between these extremes, in which there is additional integration (meaning the transfer of authority to the European Union) in some areas and possibly a pull-back in others. Indeed, the crisis has already resulted in further economic integration in Europe, in which countries agree to transfer additional authority for fiscal and monetary policies to the European Union. There is good reason to study these different possibilities, as the crisis poses a serious threat to the well-being of Europe, the United States, and the larger global economy.

This course will tackle the subject matter of the debt crisis, so that we can develop a better understanding of how Europe came to be in the current situation and where it might end up in the near future. Toward that goal, there are three sections to the course. First, we will learn about and discuss some of the central theories and concepts of political economy. Political economy is the study of different approaches to how the state and other political actors interact with economic processes. Next, we will examine the origins of the European Union and the progression of economic integration in Europe. The last section of the course will then focus on the debt crisis, discussing the predominant explanations for the debt crisis and predictions (from scholars, politicians, and the media) on the future of Europe. Each section should provide you with additional knowledge and skills to better understand the debt crisis and, hopefully, economic policies and events from other parts of the world.
Required Texts:


Selected Readings available for download on *Oncourse*.

Assessment:

A.) 10% - class attendance and participation  
10% - news articles and reactions posted to Oncourse  
25% - weekly memo summarizing each week’s readings  
25% - final examination  
20% - final paper  
10% - presentation of paper  

B.) 10% - class attendance and participation  
10% - news articles and reactions posted to Oncourse  
40% - final examination  
30% - final paper  
10% - presentation of paper

Grading Scale:

The numerical equivalents of the letter grades are:

A+ = 98%-100%  
A = 93%-98%  
A- = 90%-93%  
B+ = 88%-90%  
B = 83%-88%  
B- = 80%-83%  
C+ = 78%-80%  
C = 73%-78%  
C- = 70%-73%  
D+ = 68%-70%  
D = 63%-68%  
D- = 60%-63%  
F = 60% or below

Final Paper:

Your final paper should be 15-20 pages, double-spaced, with normal margins (one inch of space between the text and the edge of the paper). This paper should compare the economic situation in Europe with another region of the world. Essentially, you should seek to document the institutions (laws and decision-making procedures), current fiscal and monetary policies, and economic conditions (rate of growth, government debt, etc.) of a group of neighboring countries (2 to 3 countries in total) somewhere else in the world and assess the risk of a similar debt crisis.
in that region. This paper should also apply theories on and approaches to the study political economy studied in the first part of class.

Keep in mind that the group of countries you select may be different than Europe in the degree of economic integration. Some countries are not integrated, but cooperate through economic organizations (such as ASEAN in Asia and the South Pacific and NAFTA in North America). Other countries have started the process of economic integration, such as in Africa and South America. You may pick a group of countries that are not integrated, but you need to address the question of economic integration in your paper and how that might explain any similarities or differences between Europe and the region you have selected. You also need to discuss the potential for a domino effect, if there were a financial or economic crisis, in that region.

Structure of the Paper

The paper should begin with a general introduction to each country. Provide background information on the immediate history, any major ethnic, linguistic, religious, and cultural divisions, and the type of political system (if a democracy, presidential or parliamentarian, majoritarian or consensus-based; if a dictatorship, is there any degree of liberalization) of each country. I would establish sub-sections for each part of the paper. If you are profiling Brazil, Venezuela, and Peru – talk about each country differently.

The paper should then briefly describe the economic institutions and economic policies of each country. Who holds decision-making power over monetary and fiscal policy-making? How independent is the central bank? What are the primary instruments of monetary policy? What are the major types of wealth redistribution? Provide a basic summary. Conclude this section by discussing what type of cooperation exists with the neighboring countries. Are your 2-3 countries integrated in any sort of regional economic bloc? If so, how does that integration affect their monetary and fiscal policies? If not, what types of economic cooperation exist between your countries?

Next, document current economic trends in each country. What has been the rate of growth over the last few years? What about the unemployment rate? How much government debt exists relative to other countries in the region? How much debt exists as a percentage of growth and national income? To whom does your country owe their debt? On what have they spent their money? In other words, provide a detailed economic outlook for the country. In this effort, you should present some sort of data as evidence of your claims – the United Nations Statistics Database provides a useful source of such information (http://unstats.un.org/unsd/databases.htm) Conclude this section by briefly discussing each the economy in light of the literature on political economy. How would you classify and describe each economy according to the theories and concepts discussed at the start of this course.

Finally, you should conclude by comparing your group of countries to Europe and (through that comparison) evaluating the odds that a similar crisis could take place in the region you have selected. This section should discuss the conditions that created the crisis in Europe and consider whether those same conditions are present in your countries. This section should also discuss the potential for a domino effect. In other words, if one of your countries undergoes an extreme
economic crisis, how will that affect the other countries in your region? You need to provide evidence to back up your claims. What have economists said about the future of the economies in your region? Consult academic articles and media account to find such evidence.

**Presentation**

You will have to prepare a short presentation of 15-20 minutes that briefly synthesizes information from your paper – what are the monetary and fiscal policies in the countries you have chosen, what are the current economic conditions, and what are the odds of some sort of fiscal or debt-related crisis in that region?

**General Business:**

Please note that class attendance is mandatory. You may miss one class without providing an excuse. The class attendance and participation grade will be reduced by 7 points for every additional class missed, unless due to a medical emergency (and with documentation of such). Anything covered in class lectures or assigned readings may be part of the examinations. If you miss a class, it is your responsibility to find out anything covered in class from another student.

*Those who have selected Assessment Scale A must submit their weekly memo via Oncourse by 5:00 PM on the Friday of each week.* Each memo must be 2 pages double-spaced and provide a brief summary of the major concepts, questions, and theories from the assigned readings that week. *Students must indicate their choice between Assessment Scale A and Scale B by the end of class on Wednesday, October 17.*

Each week, you must find two news articles (one must be related to the debt crisis and the other can focus more broadly on the current economic situation in Europe) and write a brief, 1-2 page double-spaced summary of the two articles. You need to include at least one paragraph (5-6 sentences) in which you react to the events described in the article. What do you think is happening with these events? How do they relate to theories, concepts, and themes discussed in the course? *You must submit the two articles together with your reaction as one document via Oncourse by 5:00 PM on the Saturday of each week.*

All assigned readings are required. The Caporaso and Levine text (hereafter referred to as C&L) and the Eijffinger and de Haan text (hereafter referred to as E&D) are available for purchase at the IU and TIS bookstores or through Amazon. Other selected readings will be available for download on Oncourse. The lectures will, at times, overlap with the readings, but will often include content not in the readings. *The final examination may cover anything from both the lectures and the readings.*

Students with any disability or special learning needs should contact me as soon as possible and/or Disabilities Services for Students (Franklin Hall 006; 812-855-7578) so that any necessary arrangements can be made.

Make sure that you include proper citations in any written or oral work. Plagiarism will result in a failure for that assignment, referral to the administration and other potential consequences, as
well other forms of academic misconduct such as cheating. Please consult the Code of Student Ethics for more information on academic misconduct and for examples of plagiarism: http://www.iu.edu/~code/code/responsibilities/academic/index.shtml If you have any questions about what constitutes plagiarism, please contact me or IU Writing Tutorial Services at 855-6738.

I reserve the right to move around different topics and assignments on the syllabus in consultation with the class. Please do not hesitate to ask questions, introduce discussion points, articulate your opinions and comment on the reading materials.
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<td>Introduction to course; concepts and theories of political economy</td>
<td><em>C&amp;L</em> p. 7-32</td>
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<td>October 17</td>
<td>Neoclassical and Keynesian approaches to political economy</td>
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<td>October 22</td>
<td>State and power-centered approaches to political economy</td>
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<td>October 24</td>
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<td>October 31</td>
<td>Defining European integration and the history of the European Union</td>
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<td>November 5</td>
<td>The EU institutions and the European Central Bank</td>
<td><em>E&amp;D</em> p. 31-52</td>
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<td>November 7</td>
<td>European monetary integration and monetary policy</td>
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<td>November 12</td>
<td>History of EU fiscal policy</td>
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<td>November 14</td>
<td>Progression of the European debt crisis</td>
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<td>November 19-21</td>
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<td>November 26</td>
<td>Globalization and political economy; the spillover effect of the debt crisis</td>
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<td>November 28</td>
<td>Possible outcomes of the debt crisis</td>
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<td>December 5</td>
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<td>December</td>
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Identify selected readings