

CLASS 14

TOPIC	<i>The Economic Governance in the EU</i>
LEARNING CONTENT - DETAILED CHARACTERISTICS	<p>We present the pillars of the economic governance in the EU. Integration within the Single Market yields significant economic benefits that justifies removing regulatory obstacles to trade in goods, services, and capital between EU Member States. Goods and capital are mobile between EU Member States, but labour is almost immobile. This justifies assigning to the Union the regulation of the markets in goods, services, and capital and maintaining the Member States' primary responsibility for labour market regulation and redistribution policies between individuals. The management of the Single Market is a Union responsibility, but Member States remain in competition for other allocation policies – the EU has exclusive competences over international trade and competition while Member States keep prime responsibility for the allocation policies such as infrastructures, research and innovation and education. The Single Market calls for a single currency – so the euro area was established. However, the single currency does not necessarily imply a federal budget but calls for joint surveillance of national fiscal policies. This point which is still the matter of heated debates involves two separate issues. The first one is whether national fiscal policies must be put under control to prevent unsustainable fiscal behaviour from endangering monetary stability. The second issue is whether a federal budget is needed to provide the stabilization instrument lost because of national monetary autonomy. The EU does not intervene in interpersonal redistribution but fulfils a role of interregional and international redistribution – the concentration of economic activities in the most prosperous regions led to a significant development of regional policies such as Structural Funds and Cohesion Funds.</p>
KEY WORDS	<p>European union, Member States, Single Market, euro area, EU competence, Stability and Growth Pact, European Semester, Macroeconomic Imbalances Procedures, Recovery and Resilience Facility, Economic and Monetary Union, economic convergence, European Central Bank, Banking Union, European System of Financial Supervision, Capital Markets Union.</p>
SUGGESTED TOOLS	<p>Power-point presentation Critical thinking and analysis Real-world personal observation Interactive and group discussions A personal study plan</p>

TIPS / METHODOLOGICAL REMARKS (if applicable)	Learning-by-doing and case studies activities. The focus is on the EU governance framework and the respective competences of the EU Member States and EU authorities.	
IMPLEMENTATION OF THE CLASSES	STEP 1	We present the European union principles and the five categories of the competences of the EU: exclusive competences; shared competences; the coordination of the economic and employment policies of the Member States; the definition and implementation of a Common Foreign and Security Policy; competences to support, coordinate, or supplement the actions of the Member States in specified areas such as health, industry, culture, or education. See work card 1.
	STEP 2	We stress that the EU model of international union has no equivalent in the world. We make some comparisons with the USA, Switzerland, and Canada. The debate for deeper economic integration or anti-federalism in the EU is considered. See work card 2.
	STEP 3	The evolution of the European fiscal framework and the Stability and Growth Pact are presented. The fiscal rules and EU fiscal institutions are discussed. The European Semester, the Macroeconomic Imbalances Procedures and the Recovery and Resilience Facility are considered.
	STEP 4	We present the stages of the EU Economic and Monetary Union (EMU). The objectives of the EMU are commented on. The students are aware of the Maastricht criteria for convergence and the process for assessing convergence between Member States. We present the main objectives, tasks, governance, and independence of the European Central Bank (ECB) and the Banking Union.
	STEP 5	We comment on the macroprudential powers of the ECB with the establishment of the Single Supervisory Mechanism. The European System of Financial Supervision is presented. We make the difference between the macroprudential powers of the European Systemic Risk Board and microprudential powers of the European Supervisory Authorities. The Capital Markets Union initiatives are discussed.

ADDITIONAL MATERIAL 1 (WORK CARD, PICTURE, RECORDING, QUIZ, PRESENTATION, ASSIGNMENTS)

WORK CARD 1 – THE ECONOMIC GOVERNANCE IN THE EU

Look at the simplified outline of competence assignment within the European Union presented in Benassy-Quere et al. (2019, pp. 137):

	Member States	European Union
Allocation		
Labour markets	XX	X
Goods market	X	XX
Markets for services	XX	X
Financial markets	X	XX
Infrastructure, research, education	XX	X
Farm support	X	XX
Foreign trading regime	-	XXX
Climate	X	XX
Stabilization		
Money and exchange rate (euro area)	-	XXX
Financial stability	X	XX
Fiscal policy	XX	X
Redistribution		
Across individuals	XXX	-
Across regions	XX	X
Across countries (within the Union)	-	XXX

Key: By convention, the amount of the X is for each line equal to three. XX in a column indicates that the principal competence belongs at the corresponding level. XXX indicates exclusive competence.

Comment on different competences between Member States and the European Union as regards the respective policies. Consider the following statement (Benassy-Quere et al., 2019, pp. 138):

... the European Union is less centralized than the United States for labour and product markets and fiscal stabilization but that it is as centralized for foreign trade negotiations or climate policy and more centralized as regards state aid control or indirect taxation.

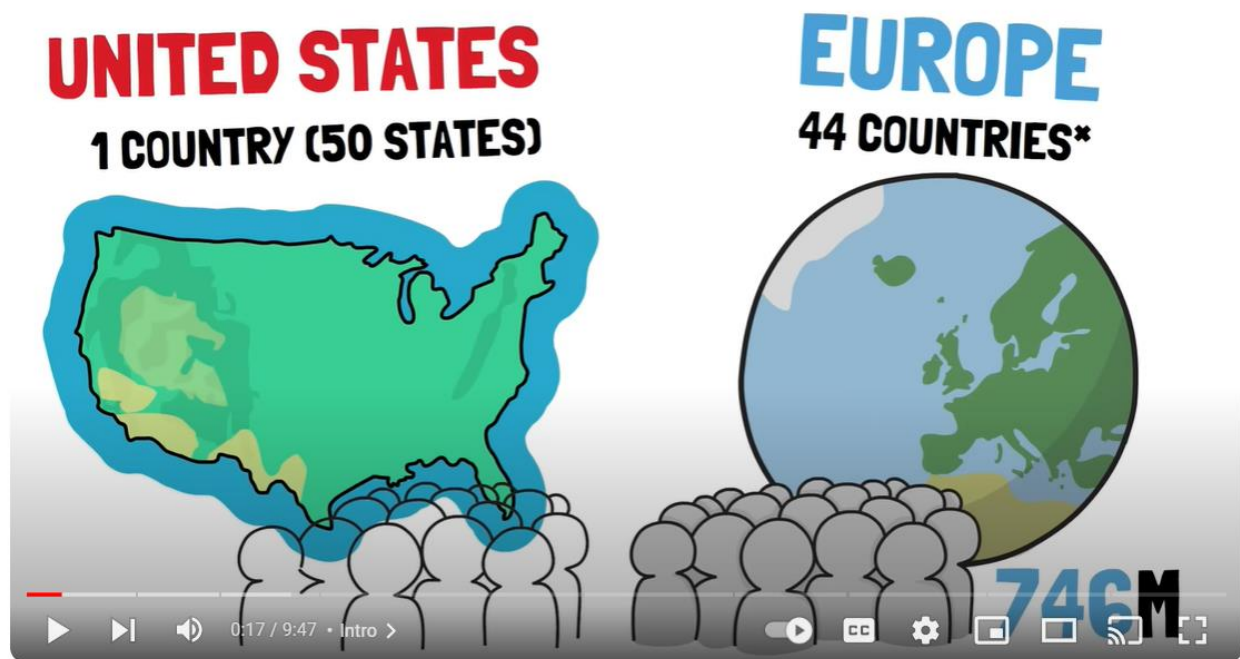
Discuss the effects of EU centralizations compared to the economic governance in the USA. How do the EU centralization patterns impact on the competitiveness of EU compared to the United States?

ADDITIONAL MATERIAL 2 (WORK CARD, PICTURE, RECORDING, QUIZZ, PRESENTATION, ASSIGNMENTS)

WORK CARD 2 – THE ECONOMIC GOVERNANCE IN THE EU

Watch the video *How Do Europe & The United States Compare?:*

<https://www.youtube.com/watch?v=UUTJgFbVk8k>



How Do Europe & The United States Compare?

Comment on the differences between the US and Europe. How do these differences impact the economic governance in the European Union compared to the USA? Which economic governance system is more effective in your opinion?