The Political Economy and the Business Environment of the European Union:

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P287m

Spring 2020

“Within our mandate, the ECB is willing to do whatever it takes to preserve the euro and, believe me it will be enough”

Mario Draghi, President of the European Central Bank (July 2012).

"Merchants have no country...the mere spot they stand on does not constitute so strong an attachment as that from which they draw their gains."

Thomas Jefferson

"So much of barbarism, however, still remains in the transactions of most civilized nations, that almost all independent countries choose to assert their nationality by having, to their inconvenience and that of their neighbors, a peculiar currency of their own."

John Stuart Mill

Has the European Union (EU) delivered on its promise of a fully integrated economic and political union? How has Europe grown from its modest beginning with the European Coal and Steel Community established in 1951 with only six countries to the European Union which today encompasses 27 countries? Is the Euro crisis undermining the future of the European Union or will it usher the EU in a fiscal union which by necessity requires a closer political union? How does this multi-faceted integrative process shape the European business environment? Through class discussion and case studies managerial implications for firms operating in Europe are assessed at the provincial, national and EU level.
Course format: this course is a half-credit meeting once a week for 75 minutes for 13 weeks.

Requirements: grading is based on 1) an individual case report (1/3), 2) an examination (1/3) and 3) class participation (1/3).

Required reading package available from Gnomon Copy and case studies from Harvard Business School Press.

Recommended books:

1) Dinan, Desmond. Ever Closer Union: An Introduction to the European Union (Lynne Rienner, 4th edition), abbreviated as ECU.
3) Suder, Gabriele Doing Business in Europe (Sage, 2nd edition, 2011), abbreviated as DBE.

Case studies:

- DAAG Europe (A) and (B)
- Greece’s Debt: Sustainable                                  HBS # 9-115-063
- The European Union in the 21st century                       HBS # 9-707-021
- Common Agricultural Policy and the future of French Farming HBS # 9-707-027
- Antitrust regulation in a global setting: GE/Honeywell       HBS # 9-204-081
- The Flat Tax in Slovakia                                     HBS # 9-707-043
- Canadian imperial Bank of Commerce and the Single market – to be distributed in class
- Labour and Service Market Liberalization in the Enlarged EU: the Vaxholm Labour Dispute in Sweden Insead: IN 1204
- The French Pension System                                   HBS # 9-799-143
- Areva and nuclear renaissance – to be distributed in class
- Did Apple Pay Too Little Tax? (A)                             Insead: IN1340
- Amazon.com European Distribution Strategy                    HBS # 9-605-002
January 21 & 27: The Construction of Europe

Reading: Suder, chapter 2 in DBE
Reading: Baldwin and Wyplosz, chapters 1, 2 & 3 in EUI
Case Discussion: DAAG Europe (A) & (B).

January 27: The European Monetary Union (1): is the Euro-zone an optimum currency area?

Readings: Baldwin and Wyplosz, chapters 14 & 15 in EUI
Readings: Jacque, Laurent « The euro: troubles ahead », Le Monde Diplomatique (Février 2009)
Readings: Jacque, Laurent « Currency wars » Le Monde Diplomatique (Décembre 2010).
Case Discussion: Can the Eurozone Survive?

February 3 & 10: The European Monetary Union (2): the way forward.

Readings: Baldwin and Wyplosz, chapters 16 & 19 in EUI
Bergsten, Fred “Why will the Euro will survive” in Foreign Affairs, September –October 2012.
Case Discussion: Greece’s Debt: Sustainable

February 17: The European Fiscal Union: paving the way to a closer political union?

Readings: De Grauwe, Chapter 9 in EMU
Lane, Philip, “The European Sovereign Debt Crisis” in The Journal of Economic Perspectives (Summer 2012).
Case Discussion: the Flat tax in Slovakia

February 24: The European Political Union: national sovereignty at bay?

Reading: Suder, chapters 3 & 4 in DBE.
March 2: The EU Antitrust Policy: does it “bite”

Reading: Baldwin and Wyplosz, chapter 11 in EUI
Case Discussion (A): GE’s acquisition of Honeywell

March 9: The European Common Agricultural Policy: how national farming interests stand up to globalization and the WTO.

Reading: Baldwin and Wyplosz, chapter 9 in EUI
Case Discussion: Common agricultural policy and the future of French farming

March 13: MIDTERM EXAMINATION

March 14-22: Spring Break

March 23: European Banking: towards a EU lender of last resort.

Reading: Baldwin and Wyplosz, chapter 18 in EUI
Reading: Dermine, Jean “European banking integration: don’t put the cart before the horses” in Financial Markets, Institutions and Instruments vol.15, no. 2 (2005).
Case Discussion: Canadian imperial Bank of Commerce and the Single market

March 30: Energy Policy in the EU: Clean or independent?

Case Discussion (A): Areva and the Nuclear Renaissance

Reading: Baldwin and Wyplosz, chapter 8 in EUI

Reading: Dinan, chapter 14 in ECU


Case Discussion: Labour and Service Market Liberalization in the Enlarged EU: the Vaxholm Labour

April 20: Patriot’s Day - No class


Case Discussion: The French pension system: on the verge of retirement

April 13: The role of the state in the economy of EU member-states. National champions versus global oligopolies.


Case Discussion (A): The Privatization of Rhone-Poulenc

April 27: The European Union as a host to Foreign Direct Investment. How nation-states compete in the global market for Foreign Direct Investments: is it a level playing field?

Case Study: Amazon.com in Europe
Case Study: Ireland as a host country
Case Study: Did Apple Pay Too Little Tax? (A)
Questions to prepare for the final exam

- From the ECSC to the euro crisis: what are the critical phases in European integration process?
- Is the EU an optimum currency area?
- The path to EMU (1957-2013)
- Euro-zone crisis: what crisis?
- Is the European Monetary Union sustainable?
- What is the “Flat Tax”? Is it the path to European taxation policy?
- The Common Agricultural Policy: then and now
- CAP and the Doha Round
- French farmers vs. globalization: the future of the CAP
- European banking crisis and European banking union
- EU competition law and Mergers & Acquisitions
- The Euro bond market and the future of the single currency
- Branch versus subsidiary for a pan-European bank: why does it matter?
- What would a European banking union look like? Assess the progress made by the EU towards establishing a banking union.
- The French pension system: on the verge of retirement? Explain. What is the linkage between pension systems and capital markets?
- Characterize the EU policy vis-à-vis Foreign Direct Investors. As the newly appointed commissioner for FDI formulate a 5 point action plan leading to a harmonized EU policy towards FDI.