

## Course outline Roel Beetsma: “Monetary and fiscal policy in the EU”

### Course outline:

European monetary unification has many potential implications for macroeconomic policymaking. In this course, we discuss some of these implications. In particular, we focus on the consequences for monetary policymaking, fiscal policymaking and their interaction. We identify difficulties with these policies and explore how institutional adjustments may help to correct these failures. Regular exercises and an empirical exercise form an important part of the course.

#### *1. Inflation and monetary policy: theory and empiricism*

- Slides on theory inflation bias and inflation targeting.
- Persson, T. and G. Tabellini, 1999, Political Economics and Macroeconomic Policy, in Taylor, J.B. and M. Woodford (eds.), *Handbook of Macroeconomics*, pp.1400-1412, 1415, 1426, 1427, 1429-1438. Sections 2.4. and 4.1 are excluded.
- Clarida, R., Gali, J. and M. Gertler, 1998, Monetary Policy Rules in Practice: Some International Evidence, *European Economic Review* 42, 1033-67.

Assignment: exercise set 1.

#### *2. Fiscal policy and interactions with monetary policy:*

- Discussion exercise set Part 1.
- Ballabriga, F. and C. Martinez-Mongay, 2003, Has EMU Shifted Monetary and Fiscal policies? in Buti (ed.), *Monetary and Fiscal Policies in EMU*, Chapter 8, Cambridge University Press.
- Explanation empirical exercise.
- Favero, C.A., 2003, How Do European Monetary and Fiscal Authorities Behave? in Buti (ed.), *Monetary and Fiscal Policies in EMU*, Chapter 7, Cambridge University Press.

Assignment: empirical exercise.

#### *3. Fiscal policy spill-overs and coordination:*

- Slides on spillovers
- Beetsma, R., Debrun, X. and F. Klaassen, 2001, Is Fiscal Policy Coordination in EMU Desirable?, *Swedish Economic Policy Review* 8, 1, 57-98.
- Uhlig, H., 2003, One Money, But Many Fiscal Policies in Europe: what are the Consequences?, in Buti (ed.), *Monetary and Fiscal Policies in EMU*, Chapter 2, Cambridge University Press.
- Beetsma, R., Giuliadori, M. and F. Klaassen, 2001, Trade Spillovers of Fiscal Policy in the European Union: A Panel Analysis, *Mimeo*, University of Amsterdam.

Assignment: exercise set 2.

#### 4. Budget institutions and fiscal rules (in a monetary union):

- Slides on SGP.
- Von Hagen, J., Hughes Hallett, A. and R. Strauch, 2002, Budgetary Institutions for Sustainable Public Finances, in Buti, M., von Hagen, J. and C. Martinez-Mongay (eds.), *The Behaviour of Fiscal Authorities: Stabilization, Growth and Institutions*, Chapter 6, Palgrave, Basingstoke.
- Beetsma, R. and X. Debrun, 2005, The New Stability and Growth Pact: A First Assessment, *Mimeo*, University of Amsterdam.

Assignment: exercise set 3.

#### 5. Fiscal rules and their reform:

- Discussion empirical exercise and other exercise sets.
- Schuknecht, L., 2004, EU Fiscal Rules: Issues and Lessons from Political Economy, *ECB Working Paper*, No.421.
- Buti, M., Eijffinger, S. and D. Franco, 2005, The Stability Pact Pains: A Forward-Looking Assessment of the Reform Debate, *CEPR Discussion Paper*, No.5216.
- Beetsma, R. and X. Debrun, 2005, The New Stability and Growth Pact: A First Assessment, *Mimeo*, University of Amsterdam.