

Course Descriptions Exchange 2021-2022

Course Title Open Macroeconomics in a Global Society
 Course Code EBC4029
 ECTS Credits 6,5
 Assessment Whole/Half Grades

Period	Start	End	Mon	Tue	Wed	Thu	Fri
2	25-10-2021	10-12-2021	X			X	

Level Advanced
 Coordinator Clemens Kool For more information: c.kool@maastrichtuniversity.nl

Language of instruction English

Goals
 At the end of the course, students should be able to:
 * Discuss causes and consequences of international economic and financial integration;
 * Understand and explain the role of the Balance of Payments and its components in accounting for the interconnection of the domestic economy with the rest of the world;
 * Understand and discuss the role of the real exchange rate (versus the real interest rate) in macroeconomic adjustment;
 * Understand, explain and apply the 3-equation model for the open economy under fixed and floating exchange rates;
 * Understand and explain the pros and cons of different foreign exchange rate regimes: floating, fixed, and monetary union;
 * Understand how the current account can be analyzed from the perspective of intertemporal risk sharing – using a stock-flow framework – and apply this concept to real world cases;
 * Understand and use the importance of stock-flow dynamics in government debt;
 * Understand the – institutional – stabilization policy framework in the euro area and use it in combination with the 3-equation model for policy analysis;

Description
 Over the past decades, the global economy has steadily become more integrated, leading to larger flows of trade in goods and services and of financial capital, longer and more complicated value chains in the production of manufactured goods, and a build-up of large stock of both financial and non-financial foreign assets and liabilities. Obviously, this makes national economies more interdependent and requires taking into account spill-overs from the rest of the world into the domestic economy. It raises the issue how an economy adjusts to demand and supply shocks and the role of the current account, the (real) exchange rate and monetary and fiscal stabilization policies in the adjustment. Similarly, it asks what the influence is of the chosen exchange rate regime: floating, fixed or monetary union and the limitations this puts on policy. In the course, we develop an open economy framework to address these questions. Initially, we build on the closed economy 3-equation model developed in the course 'ECB and Monetary Policy'. We extend the analysis to an open economy setting. Important additional issues are the stock-flow dynamics in the Balance of Payments as well as stock-flow dynamics in government debt. These explicitly require an intertemporal approach. In the final part of the course, we explicitly focus on stabilization and risk sharing in the Euro area. As a monetary union, it faces different constraints on monetary and fiscal stabilization policy than stand-alone countries. Moreover, the chosen institutional design further restricts the possibilities for stabilization.

Literature Selected chapters and articles.

Prerequisites
 Second-year International Monetary Economics course (level book Krugman and Obstfeld), 'International Economics: Theory and Policy'. Exchange students need to have obtained a Bachelor degree with a major in Economics or in Econometrics/Quantitative Economics.
 an advanced level of English

Teaching methods PBL / Presentation

Assessment methods Participation / Written Exam / Presentation

Evaluation in previous academic year
 For the complete evaluation of this course please click <http://iwio-sbe.maastrichtuniversity.nl/rapporten.asp?referrer=codeUM>

This course belongs to the following programme / specialisation

Master Econometrics and Operations Research	Free Electives
Master Financial Economics - Asset Pricing	Elective Course(s)
Master Financial Economics - Banking	Elective Course(s)
Master Financial Economics - Financial Analysis	Elective Course(s)
Master Financial Economics - No specialisation	Elective Course(s)
Master Fiscal Economics	Economics Elective(s)
SBE Exchange Master	Master Exchange Courses
SBE Non Degree Courses	Master Courses