

## Course Descriptions Master 2018-2019

Course Title Shocks, Cycles and Stabilization

Course Code EBC4238

ECTS Credits 5,0

Assessment None

Period	Start	End	Mon	Tue	Wed	Thu	Fri
4	4-2-2019	5-4-2019	X			X	

Level Advanced

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Language of instruction English

Goals The development of the macro economy around its long-run trend is driven by a mix of shocks and their propagation on the one hand and by policy actions and reactions on the other. As a consequence, we observe irregular cyclicity in some of the main economic indicators like output, unemployment, interest rates and inflation in the short and medium run, sometimes with large costs to society. In this course we use modern macroeconomic theory and actual economic policymaking to shed light on the factors behind the observed cyclicity and on whether, to what extent and how policymakers can improve macroeconomic outcomes.

Description Both the business cycle and the financial cycle pose important challenges for macroeconomic policy. For an adequate policy strategy, it is crucial to know what the dominant underlying economic shocks are and what determines the speed and efficiency with which the economy is able to stabilize itself. In this course, we use modern macroeconomic theory to focus on a number of important factors in this debate such as the existence and degree of real distortions, the degree of wage and price stickiness, the way expectations are formed and the role of heterogeneity across agents. In parallel, we show and discuss the stylized characteristics that one can see in macroeconomic data to see how they match theory. We also pay attention to the challenges and limitations in actual economic policy. Examples are the zero lower bound on interest rates and QE for monetary policy, the trade-off between short-run stabilization and long-run sustainability for fiscal policy, and the role exchange rate policy in addressing cross-country imbalances.

Literature

Prerequisites

Keywords

Teaching methods

Assessment methods

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 Economics	Spec Global challenges and macroeconomic policy
SBE Exchange Master	Master Exchange Courses