Course Descriptions None 2013-2014

Course Title	Open Macroeconomics: Europe and the World Economy
Course Code	EBC4029
ECTS Credits	6,5
Assessment	None

Period

Period	Start	End	Mon	Tue	Wed	Thu	Fri
2	28-10-2013	20-12-2013	X			X	

Level	Advanced
Coordinator	Bertrand Candelon For more information:b.candelon@maastrichtuniversity.nl
Language of instruction	English
Goals	This course is an intermediate macroeconomic course. The students are expected to extend their knowledge in international economics, acquired during their bachelor. At the end of the course the students should be able to: -determine the optimal exchange rate for a country and a particular situation. -investigate both non-rationality and risk aversion are discussed as potential problems. In both cases, a portfolio balance model determines the equilibrium exchange rate. -study a currency and a financial crisis, the real exchange rate is focus of analysis. -analyse the role the real exchange. Ultimately, money may be no more than a (neutral) veil. The real exchange rate determines the terms of trade and relative welfare. Also, the real exchange rate relates financial markets and goods markets to get an overall equilibrium. Persistent real exchange rate developments may have important effects on the domestic economy. - have a fresh idea on the European integration process and its consequences on the monetary, the fiscal policies as well as the role of the single currency.
Description	In a world of increasing economic integration, caused by – among other things – technological developments and the liberalisation of capital and trade flows, the standard macroeconomic analysis using a closed economy framework does not suffice anymore. In this course we, therefore, start from an open economy perspective. The first part of the course is of a theoretical nature, to provide a general framework of analysis. In the second part, we apply this theoretical framework to real world problems. In the opening lecture we summarize the theoretical and empirical determinants of nominal and real exchange rates, both in the short and the long run, assuming the exchange rate is free to float. This draws on prior knowledge as presented in the literature for the second year course in International Monetary Economics. Subsequently, tutorial group meetings are used to discuss extensions. These extensions are fourfold. First, fixed exchange rate systems are further investigated. Many governments prefer fixed to floating rates. However, keeping exchange rates fixed proved much more difficult than was once thought. Second, interest rate parity is investigated and both non-rationality and risk aversion are discussed as potential problems. In both cases, a portfolio balance model determines the equilibrium exchange rate. Third, the real exchange rate is focus of analysis. In the end, the real exchange rate is more interesting than the nominal one. Ultimately, money may be no more than a (neutral) veil. The real exchange rate determines the terms of trade and relative welfare. Also, the real exchange rate relates financial markets and goods markets to get an overall equilibrium. Persistent real exchange rate developments may have important effects on the domestic economy. Fourth, the possibilities of monetary and fiscal policy to obtain internal and external equilibrium are studied together with the adjustment role of the (real) exchange rate. Also, the link with the labour market and wage-setting is considered. After the theoretical part, students will be asked to apply their new knowledge to real-world cases. The purpose is to train the student to recognize the underlying characteristics of new (unstructured) problems and to put them in the appropriate framework. The aim is to formulate a strategy to solve the problem at hand based on an appropriate theoretical framework.
Literature	E. Claassen, Global Monetary Economics, Oxford University Press, 1998 (indicative) - selected 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
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 OR	Other Electives
Master Financial Economics	Electives
Master Fiscale Economie	Economics Electives
SBE Exchange Master	Master Courses
SBE Non Degree Courses	Master Courses