



INSTITUTE FOR
EUROPEAN
STUDIES

*Jean Monnet Centre of Excellence
at the Vrije Universiteit Brussel*

www.ies.be

Course title:

European Monetary and Fiscal Policy

Type of course:

Optional (part of the specialisation option "European Economy")

Course content:

Given the widely divergent background of students, the introductory part of the course will be devoted to building a three-markets model– the DD-AA model – that allows to analyse the impact of government macroeconomic policies (both monetary and fiscal policy) in an open economy and under both floating and fixed exchange rates. Topics covered will also include: the balance of payments and the increasing importance of capital flows, the balance sheet of a central bank, etc.

The second part of the course will discuss the institutional framework of the ESCB. Topics covered will include: the mandate and target of the ECB, the ECB's two-pillar strategy, the policy instruments of the ECB, a comparison of the ECB with other central banks, etc.

The final part of the course will analyse several important topics related to the conduct of monetary policy in the euro-zone, such as: the use of 'unconventional' monetary policy tools, the importance of regional differences, fiscal federalism, the interaction between fiscal and monetary policy, etc.

Learning outcome:

Be familiar with the institutional framework of the European System of Central Banks (ESCB). Understand how monetary policy works in general (under both floating and fixed exchange rates). Understand how the monetary policy instruments of the ECB function. Understand the macro-economic impacts of fiscal policy in a currency union. Be able to analyse important issues related to the conduct of economic policy in the euro-zone (the interaction between fiscal and monetary policy, fiscal federalism, etc.). Have a clear understanding of the factors that influence the external value of the euro. Have insights into the financial implications of running a current account deficit, c.q. surplus. Understand the difficulties of conducting monetary policy in the presence of regional differences between eurozone member countries.