

Course Syllabus

Course	The Stability and Growth Pact and the Fiscal Compact
Lecturer(s)	Prof. Lucio Pench and Marco Buti
Course Description	
Primary References and Additional Materials	
Course Objectives	
Prerequisite(s)	Attendance of the preliminary courses (if required in the admission letter)
Teaching Method(s)	Lectures and student participation.
Assessment Method(s) and Grading Policy	

EXTENDED COURSE PLAN & LECTURE-SPECIFIC REFERENCES

<p>Lecture 1 <i>Lecture</i></p>	<p><i>Topic</i></p>	<p>1. Fiscal rules: definition and rationale, and the case of a monetary union</p> <ul style="list-style-type: none"> • General definition and typology of fiscal rules • Rationale for fiscal rules in general: optimal fiscal policy vs biased policy-making: <ul style="list-style-type: none"> ○ The intertemporal budget constraint of the government ○ Optimal fiscal policy: the tax-smoothing model and its limitations ○ Biased policy-making: deficit bias and its determinants • Rationale for fiscal rules in a monetary union: <ul style="list-style-type: none"> ○ Risk of 'monetary (ex post) bail-out' ○ Risk of fiscal (ex post) bail out ○ Risk of 'free riding'
	<p><i>References</i></p>	<p>Alesina, A. and A. Passalacqua (2015), The Political Economy of Government Debt. (Available at https://scholar.harvard.edu/files/alesina/.../political_economy_of_gov_debt_april_2_015.pdf)</p> <p>Barro, Robert J. (1979): On the Determination of the Public Debt, <i>Journal of Political Economy</i>, Vol. 87, No. 5, Part 1, pp. 940-971.</p> <p>De Grauwe, P. (2016) The Economics of Monetary Union, Oxford, Oxford University Press.</p> <p>Escolano, J. and V. Gaspar (2016), Optimal Debt Policy Under Asymmetric Risk, <i>IMF Working Paper</i>, No. 16/72.</p> <p>Kopits G. and S. Symansky (1998), Fiscal Policy Rules, <i>IMF Occasional Paper</i>, No.162.</p>
<p>Lecture 2</p>	<p><i>Topic</i></p>	<p>2. The evolution of fiscal rules in EMU</p> <p>Early evolution of fiscal rules in EMU:</p> <ul style="list-style-type: none"> • Fiscal policy and fiscal rules in the preparations for EMU: the Delors Report • Fiscal policy and fiscal rules and the founding of EMU: the Maastricht Treaty • Fiscal Policy and fiscal rules and the start of EMU: the Stability and Growth Pact (SGP) • The first crisis of the SGP and the reform of 2005 • The Great Recession and the reform of European economic and fiscal governance
	<p><i>References</i></p>	

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Brunila, A., M. Buti and D. Franco (eds), *The Stability and Growth Pact: The Architecture of Fiscal Policy in EMU*, Basingstoke, Palgrave Macmillan, 2001.

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European Commission (2013), "Building a Strengthened Fiscal Framework in the European Union: A Guide to the Stability and Growth Pact", *Occasional Papers 150* (available at http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp150_en.pdf)

van den Noord, P., B. Döhring, S. Langedijk, J. Nogueira Martins, L. R. Pench, H. Temprano-Arroyo and M. Thiel (2008), The Evolution of Economic Governance in EMU, *The Evolution of Economic Governance in EMU*, *European Economy Economic Papers*, No. 368. (Available at http://ec.europa.eu/economy_finance/publications/pages/publication_summary12748_en.htm)

Fischer, J., L. Jonung and M. Larch (2006), 101 Proposals to reform the Stability and Growth Pact. Why so many? A Survey, *European Economy Economic Papers*, No. 267. (Available at http://ec.europa.eu/economy_finance/publications/pages/publication833_en.pdf)

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A. Lamfalussy (1989), Macro-coordination of Fiscal Policies in Economic and Monetary Union in Europe, in Committee for the Study of Monetary Union, *Report*

		<p>on Economic and Monetary Union in the European Community. <i>Collection of Papers Submitted to the Committee for the Study of Economic and Monetary Union</i>, Luxembourg, Office for the Publications of the European Communities. (Available at http://aei.pitt.edu/1008/1/monetary_delors_collected_papers.pdf)</p>
Lecture 3	Topic	<p>3. Fiscal rules in EMU: the current set-up</p> <ul style="list-style-type: none"> • The 'Six-Pack', 'Two-Pack', and 'Fiscal Compact' legislation: General overview • The rules of the reformed SGP: 'preventive arm' • The rules reformed SGP: 'corrective arm' (Excessive Deficit Procedure) • The cycle of budgetary surveillance for the Euro Area • The interaction the EU and national fiscal frameworks: The Directive on national fiscal frameworks, the Fiscal Compact and the role of independent fiscal institutions
	References	<p>European Commission (2017), <i>Vademecum on the Stability and Growth Pact – 2017 Edition</i>, <i>European Economy Institutional Papers</i>, No. 52. (Available at https://ec.europa.eu/info/sites/info/files/ip052_en_0.pdf)</p> <p>Calmfors L., and S. Wren-Lewis (2011), <i>What Should Fiscal Councils do?</i>, <i>Economic Policy</i>, CEPR & CES & MSH, vol. 26(68), pp. 649-695.</p> <p>European Commission (2017), <i>The Fiscal Compact: Taking Stock</i>, Communication from the Commission, C(2017) 1200 final. (Available at https://ec.europa.eu/info/sites/info/files/1_en_act_part1_v3_0.pdf)</p> <p>Jankovics, L. and Sherwood (2017) <i>Independent Fiscal Institutions in the EU Member States. The Early Years</i>. <i>European Economy Discussion Papers</i>, No. 67. (Available at https://ec.europa.eu/info/sites/info/files/dp_067_en.pdf)</p> <p>Treaty on Stability, Coordination and Governance in the Economic and Monetary Union</p>
Lecture 4	Topic	<p>4. Possible scenarios for the future evolution of the architecture of fiscal policy in EMU</p> <ul style="list-style-type: none"> • An assessment of the working of the overhauled fiscal framework • Critical issues: balancing stability and growth (with constrained monetary policy) • Critical issues: enforcement and market discipline • Ways forward: federalism or decentralisation?
	References	

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Carnot, N., 2014, Evaluating Fiscal Policy. A Rule of Thumb, *European Economy Economic Papers*, No. 526. (Available at http://ec.europa.eu/economy_finance/publications/economic_paper/2014/ecp526_en.htm)

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