

Master in European Economic Governance 2020-2021
Course Syllabus

Course	European Macroeconomic Policies – Part II: Fiscal Policies
Lecturer	Francesco Saraceno
Course Description	The aim of the course is to provide a basic understanding of the debates on Fiscal Policy Effectiveness, specifically with regards to the EMU
Primary References and Additional Materials	Papers and materials provided by the instructors.
Course Objectives	Acquire a broad knowledge of debate on fiscal policy scope and effectiveness, on the tools necessary for assessing the fiscal stance, of the impact of the debate on EU institutions and on the policies followed during the crisis
Prerequisite(s)	Macroeconomics (college level).
Teaching Method(s)	Lectures and in-class discussions
Assessment Method(s) and Grading Policy	Final written exam

EXTENDED COURSE PLAN & LECTURE-SPECIFIC REFERENCES

*Lecture Duration: 3 hours

Lecture 1	<i>Topic</i>	The debate on Fiscal Policy Effectiveness – Market efficiency and government intervention – From Keynes to the New Keynesian model – The policy mix in the short and in the long run – Application EMU institutions and the New Consensus
	<i>References</i>	<ul style="list-style-type: none"> • Powerpoint presentation and class notes • Akerlof, G.A. (2019) ‘What They Were Thinking Then: The Consequences for Macroeconomics during the Past 60 Years’, <i>Journal of Economic Perspectives</i> 33(4): 171–86. • Blanchard, O.J. (2009) ‘The State of Macro’, <i>Annual Review of Economics</i> 1(1): 209–28.
Lecture 2	<i>Topic</i>	The Tools. The scope for fiscal policy. Welfare Theorems – Macroeconomics Stabilization and multipliers – Measuring Potential Output and the Output Gap – Application; the Stability and Growth Pact
	<i>References</i>	<ul style="list-style-type: none"> • Powerpoint presentation • International Monetary Fund (2015): “Can Fiscal Policy Stabilize output”, IMF Fiscal Monitor, April 2015 • Darvas, Zsolt, (2019) Why structural balances should be scrapped from EU fiscal rules, <i>Bruegel Blog</i>, October 1, 2019
Lecture 3	<i>Topic</i>	The EMU Sovereign Debt Crisis. – Fiscal profligacy or structural imbalances? – Economic policy during the crisis – From the crisis to EMU reform
	<i>References</i>	<ul style="list-style-type: none"> • Powerpoint presentation • Baldwin, R., et al. (2015) ‘Rebooting the Eurozone: Step 1 – Agreeing a Crisis Narrative Introduction and Summary’, <i>CEPR Policy Insight</i> 85(November). • Saraceno, F. (2013) ‘Would a United States of Europe Finally Solve the Euro Zone Crisis?’, <i>Strategic Review</i> 3(4): 129–40. (Drive) • Sinn, H.-W. (2014) ‘Austerity, Growth and Inflation: Remarks on the Eurozone’s Unresolved Competitiveness Problem’, <i>The World Economy</i> 37(1): 1–13.(Drive)
Lecture 4	<i>Topic</i>	Europe at the times of Covid. – Supply - <i>cum</i> - Demand Crisis – The national responses – The EU response – The Recovery Fund: A Game Changer?
	<i>References</i>	<ul style="list-style-type: none"> • Powerpoint presentation • Readings to be announced
Lecture 5	<i>Topic</i>	Fiscal Policy before and after the crisis. - Monetary dominance – Public debt sustainability – Rules versus discretion – Multipliers and crowding out. Timing of reforms and fiscal consolidation – The short-long run dichotomy - Secular Stagnation and the policy mix – Public investment – Taxes and Inequality
	<i>References</i>	<ul style="list-style-type: none"> • Powerpoint presentation • European Fiscal Board (2019) <i>Assessment of EU fiscal rules</i>. August (chap 1-2-6) • Blanchard, O. (2018) ‘Should We Reject the Natural Rate Hypothesis?’, <i>Journal of Economic Perspectives</i> 32(1): 97–119. • Summers, L.H. (2014) “U.S. Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound.” <i>Business Economics</i> 49 (2): 65–73.

		<ul style="list-style-type: none">• Saraceno, F. (2017) ‘When Keynes Goes to Brussels: A New Fiscal Rule for the EMU?’, <i>Annals of the Fondazione Luigi Einaudi</i> 51(2): 131–58. Optional <ul style="list-style-type: none">• F Fatás, A. and L.H. Summers (2018) ‘The Permanent Effects of Fiscal Consolidations’, <i>Journal of International Economics</i> 112: 238–50.• Fitoussi, J-P, and F Saraceno, ‘Inequality, the Crisis and After’, <i>Rivista di Politica Economica</i>, 2011, 9–28
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