

## Public Finances in the Economic and Monetary Union

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Public finances are seen as a particular challenge for Monetary Union: sound public finances are key for price stability-oriented monetary policies but responsibility remains in the hand of individual governments. Government deficits and debt, and aging costs are high in many member countries and the financial crisis has further aggravated the situation. The Stability and Growth Pact defines a framework for fiscal policies in EMU but how has it changed and how does it work in practice?

The course will discuss the theoretical underpinnings, empirical evidence and practical considerations that surround fiscal policies in EMU.

### I – Theory and application of fiscal policy in EMU

- Optimum currency areas. Key fiscal variables and trends.
- Fiscal and monetary interactions.
- Sustainability of public finances
- Expansionary fiscal consolidations.
- Quality of public finances.
- Growth, long-term determinants of fiscal policy.

### II – Fiscal policy surveillance in EMU

- Discretionary fiscal policy and automatic stabilisation.
- EU fiscal framework.
- SGP, EDP, fiscal rules.
- Implementing the EU fiscal framework.
- Fiscal policy and financial markets.

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## **Grading - Two options**

- 1) **Exam**, no support material is allowed (**contributes 100% to the final grade**);
  
- 2) **Exam plus written group essay**:
  - i) **Exam**, no support material is allowed (**65% to the final grade**)
  - ii) **Group essay (35% to the final grade)** (4-5 students per group, maximum 25 pages, Times New Roman 12, 1.5 spacing, margins 2.5 cm), has to be delivered by 31-12-2015 (one hard copy, and by email).