

Course Specifications

Valid in the academic year 2018-2019

Course size (nominal values; actual values may depend on programme)
Credits 6.0 Study time 180 h Contact hrs 45.0 h

Course offerings and teaching methods in academic year 2018-2019

A (semester 2)	English	guided self-study	3.75 h
		lecture	26.25 h
		seminar	15.0 h

Lecturers in academic year 2018-2019

Quaghebeur, Ewoud	EB21	lecturer-in-charge
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Offered in the following programmes in 2018-2019

	crdts	offering
Master of Science in Complementary Studies in Economics	6	A
Master of Science in Economics	6	A
Master of Science in Economics	6	A
Exchange programme in Economics and Business Administration	6	A

Teaching languages

English

Keywords

Government spending, taxes, government debt, business cycle, long-run economic growth, employment, stabilisation policy, private consumption, investment

Position of the course

This course studies the effects of fiscal policy on key macroeconomic variables such as economic growth and employment. We pay attention to both business cycle effects (the short run, stabilisation policy) and effects on long run growth and development. Attention goes to theory and empirical research. On several occasions, we apply more advanced methods of economic modelling (e.g. dynamic optimisation, OLG modelling) and econometric testing (e.g. panel data estimation). Special attention is paid to the difference of views among macroeconomic "schools", and to application to topical issues.

Contents

- Effects of fiscal policy on economic growth and employment in the long run.
 - Evolution of employment and economic growth in the OECD countries in the last decades, differences between the US and European countries.
 - Effects of taxes and government expenditures on employment and growth.
 - Fiscal policy in models of economic growth: neoclassical growth theory, endogenous growth theory, and the overlapping-generations framework.
 - Impact of public investment and R&D expenditures.
 - Results of empirical studies.
- Effects of fiscal policy on the business cycle.
 - The role of fiscal policies in the stabilisation of the economic cycle.
 - Theories of fiscal policy, including Keynesian, neoclassical and Ricardian views on fiscal policy effectiveness
 - Fiscal policy in contemporary business cycle models such as real business cycle (RBC) and new-Keynesian models.
 - Results of empirical studies.
- Fiscal consolidation, economic growth, and the dynamics of public debt.
 - Budget deficits and public debt reduction.
 - The long-term sustainability of the fiscal stance.
 - Economic effects of fiscal consolidation.

4 Topical issues in fiscal policy, depending on recent developments.

Initial competences

Have mastered good basic courses in microeconomics and macroeconomics, including consumer behaviour, the IS-LM-BP-model (Mundell-Fleming model), labour market modelling, the AD-AS-model and basics of neoclassical growth theory (Solow growth model). Have knowledge of basic empirical research methods (e.g. regression analysis) and mathematical optimization techniques. Have knowledge of basic principles of public finance.

Final competences

- 1 Know, and summarize, the main facts concerning employment and growth in OECD countries during the last decades. Know and summarize the main facts concerning fiscal policy, i.e. the level and structure of public expenditures and taxes, the level of public deficits and debts.
- 2 Analyse and explain the effects of fiscal policy in the long run, graphically and/or formally: effects on macroeconomic output and income per capita, economic growth, and employment; effects on the income and welfare of individuals who belong to different generations (e.g. young versus old). Reflect on societal implications.
- 3 Analyse and explain the effects of fiscal policy on economic growth, consumption and employment in the short and median run (business cycle), with special attention to the effects of fiscal consolidation. Explain the different views of macroeconomic schools, and understand the importance of assumptions made.
- 4 Know and interpret the results of empirical studies on fiscal policy effects. Explain key elements of the applied methodology (e.g. calibration and simulation, panel data econometrics, VAR analysis, narrative analysis).
- 5 Read, understand, and report the main assumptions, methods and results in papers from the macroeconomic literature on fiscal policy. Reflect on the broader context and societal impact of fiscal policy.
- 6 Specifically for students with a strong background in economics, mathematics and statistics (e.g. students in the master of science in economics, or business engineering): understand and explain the methods of modern research into the effects of fiscal policy (e.g. OLG modelling, dynamic optimisation, econometrics, VAR analysis); interpret and evaluate the results; derive the effects of fiscal policy not only graphically and intuitively, but also formally-analytically in simple variants of models discussed in class.
- 7 Specifically for students without a strong background in economics, mathematics and statistics (e.g. students in the master 'algemene economie'): analyse the effects of fiscal policy graphically and intuitively, not mathematically. For these students required final competences concerning the interpretation and evaluation of econometric research are also less high.

Conditions for credit contract

Access to this course unit via a credit contract is determined after successful competences assessment

Conditions for exam contract

Access to this course unit via an exam contract is unrestricted

Teaching methods

Guided self-study, lecture, seminar

Extra information on the teaching methods

Interactive teaching with extensive participation by students when theory is built, and acquired knowledge is applied.
Small exercises and illustrations are solved and discussed interactively in class. Students are also expected to read carefully a selection of complementary papers published in journals (self-study). The exam also contains some (rather general) questions about these papers.

Learning materials and price

Each topic will be discussed relying on recent articles from the (generally English) literature and on chapters in textbooks. These articles and chapters are made available via Minerva. Complementary material (e.g. PowerPoint presentations of lectures) are also provided via Minerva. Estimated total cost: 20 EUR

References

Articles and book chapters from relevant literature.

Course content-related study coaching

Students can contact the lecturer and/or an assistant for content-related counselling: during breaks, after the lecture, by e-mail, or electronic appointment booking.

Evaluation methods

end-of-term evaluation and continuous assessment

Examination methods in case of periodic evaluation during the first examination period

Written examination with open questions, oral examination

Examination methods in case of periodic evaluation during the second examination period

Written examination with open questions, oral examination

Examination methods in case of permanent evaluation

Participation

Possibilities of retake in case of permanent evaluation

examination during the second examination period is possible in modified form

Extra information on the examination methods

The end-of-term evaluation consists of a written exam with open questions and an oral exam with written preparation. The content of the exam differs depending on the economic and mathematical/statistical background of the students (cf. final competences). The continuous evaluation consists of an assessment of the students' participation and the quality of their input during the seminars.

Calculation of the examination mark

End-of-term evaluation (80%) and continuous assessment (20%).