Seminar:
"Macroeconomics of European Monetary Union"
Summer Term 2013

Topic and structure of the seminar:

The seminar offers a comprehensive overview of macroeconomic issues specific to the European Monetary Union, focusing on the main principles underlying the institutional architecture of EMU, macroeconomic developments and challenges before and since the onset of the crisis, and theoretical issues on how to design monetary unions from a model-based perspective.

The seminar will be organised in two parts:

**Part I:** In the first part of the semester, there will be 5 weekly meetings to discuss the broad overview book: Paul de Grauwe, *Economics of Monetary Union, 9th edition*, Oxford University Press, 2012.

The book consists of 11 chapters, and in the first part of the seminar we will go through the majority of these chapters. The course schedule summarised below indicates how this material will be grouped into 10 ‘themes’. This structure implies that we will cover 2 of these themes per session.

Each seminar participant will be responsible for the presentation of one theme (typically as a member of a team of 2 students), and all participants
are encouraged to read the other chapters of the books as well, since this material sets the stage for the second part of the seminar.

Please notice that we have for each theme only 45 min. To leave room for some discussion each presentation should not exceed 25 min! You are expected to cover all the major points, but otherwise you will have to be deliberately selective in your presentation. You find at the end of this syllabus some suggestions for background material on policy issues which may be of help to update the content of the book chapters where useful for your presentation. Given the time constraint, presenters have the job to summarise the punch line of the book chapter for which they are responsible, not more. So you will have to think a bit about how to fit your material into a concise and non-technical presentation of not more than 25 min.

You can choose and reserve your theme before the terms starts via a doodle-link to be made available soon. In case you don’t express your interest before the terms starts, the remaining slots will be assigned during the organisational kick-off meeting on April 22.

**Part II:** The second part of the seminar will address selected topics identified in the first part in more depth and technical detail by drawing on various research papers on monetary union issues (see list of topics below). Part II will take place on a single day during the second half of the term, ie on June 28. Each participant is expected to choose one topic. Based on this topic, participants have to write a term paper (final version is due by July 12) and, prior to the finalisation of the term paper, have to present the findings during the seminar day on June 28.

**Eligibility and Course language:**

The seminar is offered within the MIEPP-program as a seminar in “Macroeconomics and Monetary Economics” and will be held in English. The seminar can also be attended by Diploma students. Maximum number of participants: 20.

**Seminar requirements:**

Grades will be based on the following three mandatory elements:
1) Presentation of a theme (based on the book by de Grauwe): 30%
2) Presentation of the main findings of the term paper on June 28: 30%
3) Term paper (to be finalised by July 12): 40%

Schedule (Overview):

**Kick-off meeting for organisational issues** (allocation of topics etc):

*April 22, 12.30 pm – 14.00 pm, HS VI.*

**Part I:** April 29 – June 3 (5 sessions): *Monday, 12.30 pm – 14.00 pm, HS VI.*

**Part II:** Seminar day on **June 28, 9.00am – 18.00 pm, HS V.**

Participation in all seminar parts is mandatory.

**Detailed Schedule and Allocation of Themes for Part I:**

**April 29 (Session 1):**

**Theme 1:** De Grauwe (Chapter 1): The Costs of a Common Currency

**Theme 2:** De Grauwe (Chapter 2): The Theory of Optimum Currency Areas: A Critique

**May 6 (Session 2):**

**Theme 3:** De Grauwe (Chapter 3): The Benefits of a Common Currency

**Theme 4:** De Grauwe (Chapters 4 and 5): Costs and Benefits Compared (until Section 4.6 only) and The Fragility of Incomplete Monetary Unions

**May 13 (Session 3):**

**Theme 5:** De Grauwe (Chapter 6): How to complete a Monetary Union

**Theme 6:** De Grauwe (Chapter 7): The Transition to a Monetary Union

**May 20:** no seminar
May 27 (Session 4):

Theme 7: De Grauwe (Chapter 8): The European Central Bank

Theme 8: De Grauwe (Chapter 9): Monetary Policy in the Eurozone

June 3 (Session 5):

Theme 9: De Grauwe (Chapter 10): Fiscal Policies in Monetary Unions

Theme 10: De Grauwe (Chapter 11): The Euro and Financial Markets

Part II: Topics (list of possible papers)

During the seminar day in June we will be able to cover about 8 topics. The list below makes proposals. The list is not exhaustive (i.e. suggestions for papers of similar standards may be accommodated). Since the number of participants exceeds the number of topics students will be asked to form groups for the presentation. However, term papers need to be written individually.

The final 4 topics have a policy focus and address proposals on how to reform elements of the governance structure in the euro area. Students who express interest in a particular topic with a policy focus are expected to follow ongoing developments. The main elements and pros and cons of any particular proposal should be presented and discussed within the broader context of ongoing developments.

Topics (theory):


**Topics (policy focus):**


P2) German Council of Economic Experts, A Proposal: The European Redemption Pact, November 2011, available (in German and English) at: [http://www.sachverstaendigenrat-wirtschaft.de/schuldentilgungspakt.html](http://www.sachverstaendigenrat-wirtschaft.de/schuldentilgungspakt.html).


**Background material:**

1) **Policy issues**

European Central Bank, various documents and Monthly Bulletin articles for coverage of recent euro area developments, including among others:


**European Commission, various documents and overview material, including:**

**OECD:**

**Further selected material:**


Buiter, W. et al., The Implications of intra euro-area imbalances in credit flows, CEPR policy insight, 57, August 2011.


II Theory:


Cooley, T. and Quadrini, V., Common currency vs. monetary independence, Review of Economic Studies, 70, 2003


Sims, C., The precarious fiscal foundations of European Monetary Union, mimeo, 1999