

## Open Economy Macroeconomics and Economic Policy (F000956)

**Course size** *(nominal values; actual values may depend on programme)*

**Credits 9.0**

**Study time 270 h**

**Course offerings and teaching methods in academic year 2025-2026**

A (semester 2)

English

Gent

independent work  
lecture

**Lecturers in academic year 2025-2026**

Claeys, Peter

EB21

lecturer-in-charge

Alcidi, Cinzia

EB21

co-lecturer

**Offered in the following programmes in 2025-2026**

[Master of Science in Economics of Globalisation and European Integration](#)

**crdts**

**offering**

9

A

**Teaching languages**

English

**Keywords**

International monetary system, common currency areas, European Union, European Economy, European policy, regional economic integration, empirical analysis in international economics, policy analysis

**Position of the course**

The course consists of two modules. The first module covers the theory of open economy macroeconomics and examines the international monetary and fiscal adjustment process under different exchange rate regimes. It combines the theoretical and practical aspects of the international adjustment process to examine the determinants of the balance of payments, exchange rate systems and the increased role of capital flows and financial integration, with a view to understand options for policymakers when using fiscal or monetary tools, and the Impossible Trinity. This raises the question on debates concerning policy co-ordination at international level, the handling of international financial crises and international monetary reform. It also leads to a discussion of the settings of fiscal and monetary policy and in particular the role of fiscal coordination.

The second module aims at complementing the background knowledge that students acquire in the first module with practical content and policy-oriented training focused on specific current macro-economic policy issues in the European Union, in particular risk sharing in an economic and monetary union, capital market integration, fiscal rules, economic integration and labour markets as well as the functioning and policies of the ECB. In addition, they get an training in communication skills, in particular the writing of a qualitatively high-standing policy paper and the use of advanced visualization skills such as Tableau

To this aim, innovative learning methods to foster teamwork, dialogue and constructive exchange of ideas will be used.

**Contents**

Module 1

1. Theories of the balance of trade:

Elasticity, absorption and monetary approaches to the balance of payments on current account

2. Asset market models of exchange rate determination:

The monetary and portfolio balance approaches; exchange rate overshooting and saddle path equilibrium

3. Macroeconomic policy in an open economy:  
The Mundell-Fleming model in a small country and two country cases.
4. Fixed, floating and intermediate exchange rate systems:  
Traditional and modern views to evaluating alternative exchange rate systems.  
Impossible Trinity
5. Target zones and speculative attacks:  
Krugman's target zone model and extensions; application to the EMS. First, second and third generation models of speculative attacks
6. International Policy Co-ordination:  
Scope, methods and effects. Evaluation of costs and benefits. Obstacles to co-ordination.
7. Fiscal and monetary policies in a world of with monetary and financial integration: Fiscal coordination, fiscal federalism.

#### Module 2

1. Risk sharing in the EMU
2. Capital market integration in the EU
3. Fiscal rules in the EMU
4. European economic integration and the labour market
5. The functioning and policies of the ECB

#### Initial competences

The course builds upon the knowledge acquired in the modules of advanced macroeconomics, advanced microeconomics and econometrics in the first semester.

#### Final competences

- 1 To understand the working of different exchange rate regimes and their consequences on monetary and fiscal policy
- 2 To understand the major problems facing the international monetary system and the knowledge of alternative macroeconomic policy option and choices
- 3 To analyze and interpret policy choices in common currency areas
- 4 To analyze and interpret the effects of economic and monetary integration on capital and labour markets
- 5 To analyze and interpret fiscal policy and risk sharing in an economic and monetary union
- 6 The ability to formulate theoretically and empirically well-founded arguments verbally as well as in written on macroeconomic policy in an economic and monetary union
- 7 The ability to reflect critically on the present international monetary system and to formulate theoretically and empirically well-founded arguments verbally as well as in written on its challenges and macroeconomic policy options.

#### Conditions for credit contract

This course unit cannot be taken via a credit contract

#### Conditions for exam contract

This course unit cannot be taken via an exam contract

#### Teaching methods

Lecture, Independent work

#### Extra information on the teaching methods

Ex cathedra teaching  
Students prepare classes on EU macroeconomic policies through audio embedded power-point slide shows and clips. In class theoretical concepts are further developed and linked to recent and seminal scientific research articles.  
Students participate actively in seminars, role games on current macro-economic policy issues in the European Union, such as the EU response to the crisis (e.g. next Gen EU or possible follow up) and discussion sessions (Oxford debate)

#### Study material

None

#### References

References will be distributed through the UGent online learning platform.  
The textbook contains for each chapter a limited number of additional references.

**Course content-related study coaching**

Questions can be raised during class, via email or through an appointment.

**Assessment moments**

end-of-term and continuous assessment

**Examination methods in case of periodic assessment during the first examination period**

Written assessment

**Examination methods in case of periodic assessment during the second examination period**

Written assessment

**Examination methods in case of permanent assessment**

Participation, Peer and/or self assessment, Assignment

**Possibilities of retake in case of permanent assessment**

examination during the second examination period is possible

**Calculation of the examination mark**

a) Exam (written, 70%)

b) Participation, werkstuk and peer assesment (30%)

Participation in parts a), and b) is mandatory to be able to pass. Non-participation in any part will result in a total score of 9/20 should the score on other parts be 10 or more. In case of resit scores of successful subparts can be transferred to the second exam period.