

FACULTY OF HUMANITIES
SCHOOL OF SOCIAL SCIENCES
ECONOMICS**COURSE UNIT OUTLINE 2010/11****ECON30941 The Economics of Monetary Integration in Europe**
Semester: Autumn
Credits: 10

Lecturer(s): George Chouliarakis
Room:
Telephone:
Email: George.Chouliarakis@manchester.ac.uk
Office Hours: Tuesday 12-2 pm or by appointment
 Book via SOHOL at
<http://www.socialsciences.manchester.ac.uk/intranet/ug/sohol/>

Tutors: George Chouliarakis

Administrator: Leo Wells, G.001, Arthur Lewis Building

Lectures: Wednesday 9-11 am

Tutorials: Allocate yourself to a tutorial group using the Student System

*****IMPORTANT INFORMATION – PLEASE READ*******Pre-requisite(s):** ECON20402

* Students must read their University e-mails regularly, as important information will be communicated in this way.

* Note that attendance at tutorials and completion of coursework is compulsory. There is no automatic right to resit examinations, and attendance and completion are taken into account when the decision to offer a resit examination is taken.

Mode of assessment:

Summative Assessment (<i>Formal assessment</i>):	Written Examination. Please see Section 5 of this document for important information about assessment.
Formative Assessment (<i>It does not count towards final grade</i>):	A non-assessed assignment or exercise.

Reading week: Week commencing 1 November 2010**Examination period:** 17.01.11 – 28.01.11**Re-sit Examination period:** 22.08.11 – 02.09.11

2. Aims and objectives

Aims: To offer an analytical perspective on key macroeconomic aspects of the European Monetary Union.

Objectives: On completion of the course, students should have a firm grasp of the literature on the macroeconomics of monetary unions and they should be able to demonstrate it by critically assessing policy issues related to EMU.

3. Plan of the semester

Week beg.	Lectures	Tutorials	Deadlines
27.09.10	Lecture 1		
04.10.10	Lecture 2		
11.10.10	Lecture 3		
18.10.10	Lecture 4		Non-assessed assignment posted on Blackboard: Wed 20 Oct, 12 pm
25.10.10	Lecture 5		
01.11.10	<i>Reading Week</i>		
08.11.10	Lecture 6		Submission of non-assessed assignment: Wed 10 Nov, 12 pm
15.11.10	Lecture 7		
22.11.10		Tutorial Classes 1-5	
29.11.10		Feedback Classes	
06.12.10			
13.12.10			
20.12.10 – 14.01.11	<i>Christmas Break</i>		
17.01.11 – 28.01.11	<i>Examination Period</i>		

4. Syllabus and reading list

Background Reading:

On the history of the European monetary integration see D. Gros and N. Thygesen (1998) *European Monetary Integration*, 2/e, London: Prentice Hall (esp. parts I & II).

General Reading:

De Grauwe, P. (2005) *Economics of Monetary Union*, 6/e, Oxford: Oxford University Press.

Eijffinger, S. and J. de Haan (2000) *European Monetary and Fiscal Policy*, Oxford: Oxford University Press.

Topics & Specific Reading:

Specific readings per topic contain references to general readings as well as important papers that you should consult, especially if you want to prepare a topic in depth. Note that an asterisk denotes compulsory reading.

1. The Theory of Optimum Currency Areas and its Critique.

Conditions for the successful operation of a currency union; economic implications of asymmetric shocks; how likely is the occurrence of asymmetric shocks within a monetary union? can currency realignments offset the consequences of such shocks?

De Grauwe, P. (2003) *Economics of Monetary Union*, Oxford: Oxford University Press (Chapters 1 & 2). (*)

Krugman, P. (1991) *Geography and Trade*, Cambridge, Mass.: MIT Press (Chapter 4).

Mundell, R. (1961) "A Theory of Optimal Currency Areas", *American Economic Review*, Vol. 51.
McKinnon, R. (1963) "Optimum Currency Areas", *American Economic Review*, Vol. 53.

2. Costs and Benefits of a Common Currency Compared.

A balance sheet of the costs and benefits of a common currency; is Europe an Optimum Currency Area? lessons from the United States for EMU.

Bayoumi, T. and B. Eichengreen (1993) "Shocking Aspects of European Monetary Integration", in F. Torres and F. Giavazzi (eds.) *Growth and Adjustment in the European Monetary Union*, Cambridge: Cambridge University Press.

Blanchard, O. and L. Katz (1992) "Regional Evolutions", *Brookings Papers on Economic Activity*, Issue 1. (*)

De Grauwe, P. (2003) *Economics of Monetary Union*, Oxford: Oxford University Press (Chapters 3 & 4). (*)

Krugman, P. (1993) "Lessons of Massachusetts for EMU", in F. Torres and F. Giavazzi (eds.) *Growth and Adjustment in the European Monetary Union*, Cambridge: Cambridge University Press.

3. The European Central Bank.

Policy credibility and central bank independence; institutional design, objectives, and the decision-making process of the European Central Bank.

Cecchetti, S. G. and R. O'Sullivan (2003) "The European Central Bank and the Federal Reserve", *Oxford Review of Economic Policy*, Vol. 19, No. 1. (*)

De Grauwe, P. (2003) *Economics of Monetary Union*, Oxford: Oxford University Press (Chapter 7). (*)

Eijffinger, S. and J. de Haan (2000) *European Monetary and Fiscal Policy*, Oxford: Oxford University Press (Chapter 3).

Issing, O., V. Gaspar, I. Angeloni, O. Tristani (2001) *Monetary Policy in the Euro Area*, Cambridge: Cambridge University Press (Chapters 2 & 9).

Obstfeld, M. and K. Rogoff (1996) *Foundations of International Macroeconomics*, Cambridge: MIT Press (Chapter 9.5.1-9.5.2).

4. Monetary Policy under EMU.

Asymmetric shocks and the effectiveness of monetary policy in a currency union; monetary policy transmission in the presence of national financial and labour market asymmetries; the monetary policy strategy of the ECB.

Alesina, A., O. Blanchard, J. Galí, F. Giavazzi, H. Uhlig (2001) *Defining a Macroeconomic Framework for the Euro Area*, London: CEPR.

De Grauwe, P. (2003) *Economics of Monetary Union*, Oxford: Oxford University Press (Chapter 8). (*)

Eijffinger, S. and J. de Haan (2000) *European Monetary and Fiscal Policy*, Oxford: Oxford University Press (Chapter 3).

Issing, O., V. Gaspar, I. Angeloni, O. Tristani (2001) *Monetary Policy in the Euro Area*, Cambridge: Cambridge University Press (Chapters 4 & 7).

Svensson, L. (2000) "The First Year of the Eurosystem: Inflation Targeting or Not?" *American Economic Review*, Vol. 90. (*)

5. Fiscal Discipline and Flexibility in EMU.

Does a stable monetary union require binding guidelines for fiscal policy? The Stability and Growth Pact and its critique; alternatives to the Stability and Growth Pact.

Buiter, W. (2003) "Ten Commandments for a Fiscal Rule in the E(M)U", *Oxford Review of Economic Policy*, Vol. 19, No.1.

Buti, M., S. Eijffinger, D. Franco (2003) "Revisiting EMU's Stability Pact: a Pragmatic Way Forward", *Oxford Review of Economic Policy*, Vol. 19, No.1. (*)

De Grauwe, P. (2003) *Economics of Monetary Union*, Oxford: Oxford University Press (Chapter 9). (*)

Eijffinger, S. and J. de Haan (2000) *European Monetary and Fiscal Policy*, Oxford: Oxford University Press (Chapters 4 & 5).

6. Exchange Rate Arrangements in the Transition to EMU.

Target zones and exchange rate stability; exchange rate arrangements for the accession countries; will the European Exchange Rate Mechanism II sustain the transition of the accession countries to EMU?

Begg, D., B. Eichengreen, L. Halpern, J. von Hagen, C. Wyplosz (2003) "Sustainable Regimes of Capital Movements in Accession Countries", *CEPR Policy Paper No. 10*. (*)

Coricelli, F. (2002) "Exchange Rate Policy During Transition to the EMU: the Option of Euroization", *Economics of Transition*, Vol. 10.

De Grauwe, P. (2003) *Economics of Monetary Union*, Oxford: Oxford University Press (Chapter 6).

Nuti, M. (2002) "Costs and Benefits of Unilateral Euroization in Central Eastern Europe", *Economics of Transition*, Vol. 10. (*)

Obstfeld, M. and K. Rogoff (1996) *Foundations of International Macroeconomics*, Cambridge: MIT Press (Chapter 8.5).

7. European Labour Markets after EMU.

Monetary union, asymmetric shocks, and unemployment variability; does joining a monetary union contribute to the reduction of structural unemployment?

Artis, M. (1998) "The Unemployment Problem", *Oxford Review of Economic Policy*, Vol. 14, No. 4.

Calmfors, L. (1998) "Macroeconomic Policy, Wage Setting, and Employment. What Difference Does the EMU Make?", *Oxford Review of Economic Policy*, Vol. 14, No. 4.

Hall, P. and R. Franzese (1998) "Mixed Signals: Central Bank Independence, Coordinated Wage Bargaining and European Monetary Union", *International Organization*, Vol. 52.

Viñals, J. and J. Jimeno (1998) "Monetary Union and European Unemployment", in J. Frieden, D. Gros, E. Jones (eds.) *The New Political Economy of EMU*, Lanham Md: Powman & Littlefield. (*)

5. Further information about assessment

Examination(s)

Weighting: 100 %

Date: January 2011

Length: 1½ hours

Structure: Students should answer two out of five questions.

Resits: Please note that if you fail to pass this course as a whole, you will be **required to resit all** examined components of the course in the August resit examination period

Assessed Coursework

Since assessed coursework must be retained for possible consideration at the Final Examiners' Meeting you should make and keep a copy for yourself. If any possibility of late submission arises through illness or any other good cause, you must inform the UG Office as soon as possible and submit the mitigating circumstances form, along with any evidence, such as a doctors note. Penalties, in the form of reduced marks, will be applied for inexcusable lateness in the submission of assessed coursework.

The penalty scheme for late submission is 10 marks deducted for first day late, with a further 5 marks deducted for every subsequent day late, including weekends.

Assessment criteria

The criteria used by ES in the assessment of examinations and coursework can be found in the following documents.

	Document
Degree	
BEconSc	Programme Handbook (available from Arthur Lewis Building, G.001)
BA (Econ), BA IBFE, and other undergraduate degrees	Economic Studies Second and Third Year Handbooks and Course Unit Guides (available from Arthur Lewis Building, G.001)
Postgraduate	Programme Handbooks (available from Arthur Lewis Building, 2.003)

Plagiarism

Plagiarism is presenting the ideas, work or words of other people without proper, clear and unambiguous acknowledgement. It also includes 'self-plagiarism' (which occurs where, for example, you submit work that you have presented for assessment on a previous occasion), and the submission of material from 'essay banks' (even if the authors of such material appear to be giving you permission to use it in this way). Obviously, the most blatant example of plagiarism would be to copy another student's work. Hence it is essential to make clear in your assignments the distinction between:

- the ideas and work of other people that you may have quite legitimately exploited and developed, and
- the ideas or material that you have personally contributed.

Plagiarism is a serious academic offence and the consequences are severe. Guidelines on plagiarism are included in the documents listed above or can be found, together with general guidelines on the university's examinations process, on the StudentNet website. (<http://www.studentnet.manchester.ac.uk/crucial-guide/academic-life/formal-procedures/conduct-and-discipline/>)

January exam marks

The marks for January examinations, as issued to undergraduate students by Faculty Office and to graduate students by Programme Directors, are **provisional** marks and are provided for information only.

Students are advised that:

1. these marks may be raised or lowered by the external examiners;
2. once marks have been agreed by the internal examiners and issued to students, they can only be changed via the external examiners;
3. if the mark for a particular exam is both 'marginal' and 'critical' to the overall classification of a student, the exam paper/assessed essay will be referred to the appropriate external examiner;
4. questions of compensation will be dealt with in June, when the full range of results is available;
5. marks are never confirmed until the meeting of the relevant Examinations Board in June;
6. the University does not countenance student appeals against the academic judgements of Examiners;
7. the grounds on which a student may appeal are specified on the website <http://www.studentnet.manchester.ac.uk/crucial-guide/academic-life/formal-procedures/academic-appeals/>