



## Course and Examination Fact Sheet: Autumn Semester 2021

### 9,276: Debt and Fiscal Policy

ECTS credits: 4

#### Overview examination/s

(binding regulations see below)

Decentral - Presentation (individual) (50%)

Examination time: term time

Decentral - Active participation (10%)

Examination time: term time

Decentral - examination paper written at home (individual) (40%)

Examination time: term time

#### Attached courses

Timetable -- Language -- Lecturer

[9,276.1.00 Debt and Fiscal Policy](#) -- Englisch -- [Mankart Jochen](#)

#### Course information

#### Course prerequisites

This course aims at students with an interest in macroeconomics in general and fiscal policy and debt dynamics in particular. A solid background in macroeconomics at the graduate level, ideally Advanced Macro 2, is advantageous, not required though.

#### Learning objectives

In terms of content, learning objectives are: understanding sovereign debt crises, their different causes and their consequences; the consequences of low equilibrium interest and inflation rates for monetary policy.

In addition to the content of the course, students will learn to read and digest a recent scientific paper, to present its main conclusions potentially without necessarily having understood every aspect of the paper.

#### Course content

The financial crisis, the sovereign debt crisis and record low levels of interest rates have been among the most interesting aspects of the last couples of years.

Prior to the financial crisis, fiscal policy and issues related to government debt have been largely ignored in modern macroeconomics. There was a consensus among economists that monetary policy would be sufficient to deal with business cycle fluctuations, and that government debt crises would not happen in industrialized countries. The Great recession has changed these assessments and led to a renewed interest in these questions. This course will deal with the classical but also new work in these areas. We will look at models of government debt, fiscal policy under the zero (negative) lower bound for interest rates or in absence of an independent monetary policy (as is the case for Eurozone countries). The course will cover both: theoretical models and empirical studies in these Areas.

Thus, after the course students will know about possible explanations for these phenomena, and possible future scenarios. In addition to acquiring this knowledge, students will learn to present (possibly quite complicated) research papers.

#### Course structure and indications of the learning and teaching design

The course will be consisting of lectures and student presentations. The course will have 2 blocks: 1. Two days of lecture in the break. 2. One full day towards the end of the semester for student presentations. Please consult the course directory for the dates.



*Preliminary structure:*

## **Government debt & debt crises**

1. Intertemporal budget constraint as solvency condition
2. Debt in an OLG model
3. Strategic default incentive
4. Empirics of sovereign default

## **Fiscal multipliers**

1. Old and new theory
2. State contingent multipliers (with a focus on the zero lower bound on interest rates)
3. Empirics of the multiplier
4. Optimal fiscal consolidations

## **Eurozone debt crises**

1. Multiple equilibria as a source of fragility.
2. Euro as foreign currency

## **Course literature**

- Lecture notes (studynet)
- There is no textbook for this course
- Literature list (including papers for presentations) will be made available at the beginning of the course

## **Additional course information**

The course will primarily be taught face-to-face. In case circumstances will change, the lecturer will inform about any changes by email and the course will take place via zoom.

In the case of the President's Board having to implement new directives due to the SARS-CoV-2 pandemic in AS2021, the course information listed above will be changed as follows:

- The course is conducted online via the platform Zoom, the lecturer informs via e-mail on the changed implementation modalities of the course.

The examination information listed below would be changed as follows:

The student presentations will be held via zoom as well. The 2 problem sets will be solved at home in any case. The presentation are conducted online and are being recorded;

If you have any questions concerning the course, please contact me: [jochen.mankart@bundesbank.de](mailto:jochen.mankart@bundesbank.de).

## **Examination information**

### **Examination sub part/s**

#### **1. Examination sub part (1/3)**

##### **Examination time and form**

Decentral - Presentation (individual) (50%)

Examination time: term time

##### **Remark**

--

##### **Examination-aid rule**

Practical examination



No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

## Supplementary aids

--

## Examination languages

Question language: English

Answer language: English

---

## 2. Examination sub part (2/3)

### Examination time and form

Decentral - Active participation (10%)

Examination time: term time

### Remark

--

### Examination-aid rule

Active classroom participation

In the "Active classroom participation" examination form, regular participation in class is assessed.

The assessment criteria can be as follows:

- Requests to speak enrich the discussion (productive) / requests to speak disturb the discussion (counterproductive);
- Requests to speak are correct/requests to speak are incorrect;
- Requests to speak are frequent/average/rare;
- No requests to speak, but students follow the lesson/no requests to speak and students do not noticeably follow the lessons.

## Supplementary aids

--

## Examination languages

Question language: English

Answer language: English

---

## 3. Examination sub part (3/3)

### Examination time and form

Decentral - examination paper written at home (individual) (40%)

Examination time: term time

### Remark

--

### Examination-aid rule

Term papers

Written work must be written without outside help according to the known citation standards, and a declaration of authorship must be attached, which is available as a template on the StudentWeb.

Documentation (quotations, bibliography, etc.) must be carried out universally and consistently according to the requirements of the chosen/specified citation standard such as e.g. APA or MLA.

The legal standard is recommended for legal work (cf. by way of example: FORSTMOSER, P., OGOREK R., SCHINDLER B.,



Juristisches Arbeiten: Eine Anleitung für Studierende (the latest edition in each case), or according to the recommendations of the Law School).

The reference sources of information (paraphrases, quotations, etc.) that has been taken over literally or in the sense of the original text must be integrated into the text in accordance with the requirements of the citation standard used. Informative and bibliographical notes must be included as footnotes (recommendations and standards e.g. in METZGER, C., Lern- und Arbeitsstrategien (latest edition)).

For all written work at the University of St.Gallen, the indication of page numbers is mandatory, regardless of the standard chosen. Where page numbers are missing in sources, the precise designation must be made differently: chapter or section title, section number, article, etc.

## Supplementary aids

--

## Examination languages

Question language: English

Answer language: English

---

## Examination content

Two problem sets with detailed questions will be posted during the first part of the course. Each problem sets counts 20% towards the final grade. The list of presentation topics (papers) will be distributed during the first lecture. Groups of 2-3 students can prepare a presentation together but each has to present.

Topics include:

- Intertemporal budget constraint as solvency condition
- Debt in an OLG model Strategic default incentive
- Empirics of sovereign default
- Old and new theory
- State contingent multipliers (with a focus on the zero lower bound on interest rates)
- Empirics of the multiplier
- Optimal fiscal consolidations
- Multiple equilibria as a source of fragility. Euro as foreign currency

## Examination relevant literature

The problem sets will describe the contents in detail. Literature list (including papers for presentations) will be made available at the beginning of the course. Lecture notes will be on study net by course start.



## Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW51) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 42 are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 34 (Thursday, 26 August 2021);
- Examination information (regulations on aids, examination contents, examination literature) for decentralised examinations: in CW 42 (Monday, 18 October 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 42 (Monday, 18 October 2021);

Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the registration period in CW 45 (Monday, 8 November 2021).