



Course and Examination Fact Sheet: Autumn Semester 2023

9,276: Debt and Fiscal Policy

ECTS credits: 4

Overview examination/s

(binding regulations see below)

decentral - Active participation, Analog, Individual work individual grade (10%)

Examination time: Term time

decentral - Written work, Digital, Individual work individual grade (40%)

Examination time: Term time

decentral - Presentation, Analog, Group work group grade (50%)

Examination time: Term time

Attached courses

Timetable -- Language -- Lecturer

[9,276.1.00 Debt and Fiscal Policy](#) -- English -- [Mankart Iochen](#)

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/high 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). We will also look at financial vulnerability of a country if it has a large banking sector. 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
5. Role of banking sector

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 be taught face-to-face. If you have any questions concerning the course, please contact me:
jochen.mankart@bundesbank.de.

Examination information

Examination sub part/s

1. Examination sub part (1/3)

Examination modalities

Examination type	Active participation
Responsible for organisation	decentral
Examination form	Oral examination
Examination mode	Analog
Time of examination	Term time
Examination execution	Synchronous
Examination location	On Campus
Grading type	Individual work individual grade
Weighting	10%
Duration	--

Examination languages

Question language: English
Answer language: English

Remark

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Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

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2. Examination sub part (2/3)

Examination modalities

Examination type	Written work
Responsible for organisation	decentral
Examination form	Written work
Examination mode	Digital
Time of examination	Term time
Examination execution	Asynchronous
Examination location	Off Campus
Grading type	Individual work individual grade
Weighting	40%
Duration	--

Examination languages

Question language: English

Answer language: English

Remark

2 problem sets

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

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3. Examination sub part (3/3)

Examination modalities

Examination type	Presentation
Responsible for organisation	decentral
Examination form	Oral examination
Examination mode	Analog
Time of examination	Term time
Examination execution	Asynchronous
Examination location	On Campus
Grading type	Group work group grade
Weighting	50%
Duration	--

Examination languages

Question language: English

Answer language: English



Remark

2-3 students form 1 group, each presents

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

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Examination content

Presentation:

Groups of 2-3 students can prepare a presentation together but each has to present. The list of presentation topics (papers) will be distributed during the first lecture.

Active Participation:

Students are expected to engage with the material and the given presentations in class.

Written Work:

2 problem sets with detailed questions will be posted during the first part of the course. Each problem sets counts 20% towards the final grade.

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, 24 August 2023);
- Examination information (supplementary aids, examination contents, examination literature) for decentralised examinations: in CW 42 (Monday, 16 October 2023);
- Examination information (supplementary aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 45 (Monday, 06 November 2023);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the de-registration period in CW 45 (Monday, 06 November 2023).