

Economic and Monetary Union (EMU)

2017-2018 – Fall Semester

(Professor Nazaré da Costa CABRAL;

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Syllabus

I – The International Monetary System (IMS): basic concepts

1. Basic concepts
2. The IMS

II – The European Monetary System (EMS) and the creation of the EMU

1. Introduction
2. From the monetary serpent and the internal market
3. The creation of the EMS; the exchange rate mechanism (ERM I)
4. From the IS-LM model to the Mundell-Fleming model; the ‘Optimum Currency Area’ theory
5. Costs and benefits of a monetary union; the ‘impossible trinity’
6. The European EMU
7. EMU’s three stages
8. The main EMU’s elements
9. The Euro; the current ERM II
10. EMU as a (non) ‘optimum currency area
11. Portugal and the Euro

III – The European Central Bank (ECB) and the monetary policy

1. Functions and composition of the European System of Central Banks (ESCB)
2. Nature, purposes and functions of the ECB; the principle of independence
3. Types of monetary policy: conventional and non conventional (‘the quantitative easing’);

4. The differences between the ECB and other Central Banks (e.g. the Fed and the Bank of England)
5. The main objectives of the monetary policy; the 'no bail out' principle

IV – From the 2007-2008 financial crisis to the Euro crisis: EMU's fragilities

1. The EMU as an incomplete monetary union (the lack of the fiscal pillar);
2. From the 2007-2008 financial crisis to the Euro crisis and the 'Brexit'
3. The future of the Euro; perspectives of reform
 - The Banking Union
 - The European Stability Mechanism
 - The Capital Markets Union
 - The future of the monetary policy; the 'lender of last resort' function
 - The reform of the EU budget
 - Risk sharing and stabilizing mechanisms (current state of the art and future prospects)

Bibliography (in English)

BALDWIN, Richard and WYPLOSZ, Charles (2015). *The Economics of European Integration*, 5th ed., McGraw Hill.

CABRAL, Nazaré da Costa et al. (eds) (2017). *The Euro and the Crisis – Perspectives for the Eurozone as a Monetary and Budgetary Union*, Springer.

EUROPEAN CENTRAL BANK (2011). *The monetary policy of the ECB*, European Central Bank, Eurosystem.

GRAUWE, Paul de (2016). *Economics of Monetary Union*, 11th ed., Oxford University Press, UK.