APPROVED BY
THE STUDY COMMISSION
Minutes No. 02-12-2025-14
as of 28th August 2025

ANALYSIS OF MONETARY AND FISCAL POLICY

Course code	*GRAE038*
Compulsory in the programmes	*Financial Economics*
Level of studies	*Graduate*
Number of credits	*6 ECTS (36 contact hours + 2 consultation hours, 124 individual work hours)*
Course coordinator (title and name)	*PhD Cand. Rokas Kaminskas rokkam@faculty.ism.lt*
Prerequisites	*None*
Language of instruction	*English*

THE AIM OF THE COURSE:

The course aims to arm students with analytical tools needed to analyse monetary and fiscal policies, as well as their interactions. The course discusses the concept of policy impact, and the ways to measure it. It then discusses the specifics of monetary and fiscal policies with the focus of analytical tools that allow analysing policy instruments and their effects. The students will have to demonstrate their understanding of the topic through an exam and development of policy briefs based on analytical assessment, showing their acquired critical evaluation skills.

MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives (Number of LO)	Assessment methods	Teaching methods
CLO1. Students will be able to critically evaluate fiscal and monetary policy instruments and their application in different contexts.	LO1.1. LO1.2.	Policy brief, final exam	Lectures, seminars, consultations on policy brief development
CLO2. Students will learn to analyse the impact of economic policy and assess and select tools appropriate for the analysis.	LO1.2.	Policy brief, final exam	Lectures, seminars, consultations on policy brief development
CLO3. Students will develop critical skills needed to propose recommendations for economic policy instruments based on analytical assessment.	LO3.1.	Policy brief, final exam	Lectures, seminars, consultations on policy brief development
CLO4. Students will learn to prepare a policy brief critically communicating a selected fiscal or monetary policy instrument of their choice and suggesting recommendations for their improvement.	LO 3.2.	Policy brief	Lectures, seminars, consultations on policy brief development

ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

COURSE OUTLINE

Topic	**In-class hours**	**Readings**
Introduction to Macroeconomic Stabilization Policies. Macroeconomic objectives and distinction of different polices. Historical evolution and policy coordination.	4	Romer (2019) Ch. 11-12, Epilogue
Monetary policy frameworks. New Keynesian model and monetary transmission. Inflation targeting, Taylor Rule, and interest rate smoothing. ECB, Fed, BoE frameworks.	4	Bindseil & Fotia (2021), pp. 1-28. Romer (2019) Ch. 11.
Assessing Monetary Policy. Estimating monetary policy stance. Monetary policy shocks and identification. Assessment challenges.	4	Romer (2019) Ch. 11
Fiscal Policy Theory and Multipliers. Countercyclical fiscal policy and automatic stabilizers. Fiscal multipliers. Debt sustainability.	4	Batini, Eyraud, Forni & Weber (2014) Romer (2019) Ch. 12
Assessing Fiscal Policy. Fiscal stance indicators. Measuring fiscal impulses and sustainability risks. EU fiscal rules.	4	Romer (2019) Ch. 12
Monetary-Fiscal Policy Interactions. Monetary vs. fiscal dominance. Coordination vs. conflict in policy regimes.	4	Romer (2019) Ch. 11-12 ECB (2021) pp. 1-27
Unconventional Policies. Monetary policies: QE, credit easing and forward guidance. Fiscal expansions under high debt. Risks of overstretching fiscal and monetary instruments.	4	Bindseil & Fotia (2021), pp. 53-66 Romer (2019) Ch. 11-12
Macroprudential Policy. Macroprudential vs. microprudential supervision. Macroprudential policy objectives and tools. Interactions with other policies.	4	Papadia & Valimaki (2018) Ch. 3 Bochmann et al. (2023)
Policy challenges and future directions. Real-time policy assessment. Incorporating AI and climate risk.	4	Romer (2019) Ch. 11-12, Epilogue
	Total: 36 hours	
CONSULTATIONS	2	
FINAL EXAM	2	

FINAL GRADE COMPOSITION

Type of assignment	**%**
Project on policy issues 30%	
Policy brief	30%
Individual Components 70%	
Final exam	70%
Total:	**100**

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

Project on Policy Issues. Each student will be assigned a specific policy issue and required to prepare a presentation outlining their position on the topic. Students will be paired with a peer holding an opposing or alternative viewpoint, fostering a structured, debate-style discussion during the seminar. The project emphasizes critical thinking, argumentation, and the ability to engage constructively with differing perspectives. Active participation during seminar discussions–including contributions beyond the assigned debate–may positively influence the final project grade.

Final exam. The final assessment will be a comprehensive examination covering all topics discussed throughout the course. It will evaluate students' understanding of key concepts, theories, and applications introduced in lectures, readings, and seminar discussions.

RETAKE POLICY

Retake covers the final exam (70%) component of the final grade. Project on policy issues (30%) cannot be rewritten / retaken but its evaluation (if positive) is not annulled.

ADDITIONAL REMARKS

None

REQUIRED READINGS

Batini, N., Eyraud, L., Forni, L., & Weber, A. (2014). *Fiscal multipliers: Size, determinants, and use in macroeconomic projections*. International Monetary Fund.
Bindseil, U., & Fotia, A. (2021). *Introduction to central banking*. Springer Nature.
Blanchard, O. (2019). Public debt and low interest rates. *American Economic Review*, *109*(4), 1197-1229.
Romer, D. (2019). *Advanced Macroeconomics*. New York : McGraw-Hill Education.
ECB (2021). *Monetary-fiscal policy interactions in the euro area*. ECB Working Paper No. 273.
Papadia, F. & Valimaki, T. (2018). *Central Banking in Turbulent Times*. Oxford University press.
Bochmann, P., Dieckelmann, D., Fahr, S., & Ruzicka, J. (2023). *Financial stability considerations in the conduct of monetary policy*. ECB Working Paper No. 2870.

ADDITIONAL READINGS

TBA

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ANNEX

DEGREE LEVEL LEARNING OBJECTIVES

Learning objectives for <u>Master of Social Science</u>
Programme:
Financial Economics

Learning Goals	Learning Objectives
Students will be critical thinkers	LO1.1. Students will be able to identify underlying assumptions, limitations of previous research; evaluate managerial solution alternatives.
	LO1.2. Students will become **independent learners** and develop their own comprehension of scientific theories, models, and concepts.
Students will be socially responsible leaders	LO2.1. Students will be able to evaluate past and current practices in their discipline from an **ethical perspective**.
Students will be effective communicators	LO3.1. Students will develop and deliver a **coherent oral presentation**.
	LO3.2. Students will develop and deliver a **coherent written research paper**.