



COURSE UNIT (MODULE) DESCRIPTION

Course unit (module) title	Code
ECONOMIC POLICY	

Lecturer(s)	Department(s) where the course unit (module) is delivered
Coordinator: part. doc. Jekaterina Rojaka	Business School, Saulėtekio al. 22, Vilnius
Other(s):	

Study cycle	Type of the course unit (module)
Second	Compulsory

Mode of delivery	Period when the course unit (module) is delivered	Language(s) of instruction
Face-to face / virtual	Autumn	English

Requirements for students	
Prerequisites:	Additional requirements (if any):

Course (module) volume in credits	Total student's workload	Contact hours	Self-study hours
5	130	32	98

Purpose of the course unit (module): programme competences to be developed		
<p>The aim of the subject is to develop the ability to analyze economic policy processes and make adequate decisions on that basis.</p>		
Learning outcomes of the course unit (module)	Teaching and learning methods	Assessment methods
Understand the latest theories of economic policy and research methods.	Interactive lectures. Practical classes	Individual/group project, discussions, exam.
Will be able to analyze the processes of economic policy, evaluate them and on that basis to make reasonable and adequate decisions and form the strategies of companies taking into account the country's economic policy, focused on the effective solution of economic problems.	Interactive lectures. Practical classes	Individual/group project, discussions, exam.

Content: breakdown of the topics	Contact hours						Self-study work: time and assignments		
	Lectures	Tutorials	Seminars	Exercises	Laboratory work	Internship / work placement	Contact hours	Self-study hours	Assignments
1. Introduction: The concept of economic policy, the magic square of economic policy goals. Key macroeconomic indicators. Elements of GDP (expenditure versus production method), alternative measures of national income, inflation, unemployment, balance of payments and foreign trade. Capitalism and democracy	2	2					4	12	Introduction to macroeconomic experience based on practical examples indicators, their calculation methodology and methodology, analysis and comparison of the Lithuanian/international indicator system.
2. GDP and National Income. The process of generating GDP or national income in a closed economy, the balance of aggregate supply and demand in this economic model. Disposable income and consumption function, investments and their function. Real interest rate. A mechanism to help an interest rate balance the supply of and demand for credit resources. Tax policy: Balanced, cyclically balanced, deficit or profit budget. The impact of fiscal policy on austerity.	2	2					4	12	Introduction to the function of consumption and investment, the influence of different (expansionary or restrictive) fiscal policies on investment and the supply of and demand for credit resources
3. 3. The open economy model and the role of net exports. International capital flows and foreign trade balance. Interpretation of economic policy in terms of foreign trade balance. Exchange rate policy. Nominal and real exchange rates, their factors. Purchasing Power Parity (PPP) Theory and Its Limitations.	2	2					4	12	Differences between the Floating Rate and Fixed Rate: pros and cons. Analysis of the regime choice and linkage to inflation and other macro indicators. The world oil market.
4. The role of monetary policy in economic policy and the preconditions for its effectiveness. The function of money demand and the regulation of money supply. Quantitative theory and money	3	3					6	12	Global commodities. Global market problems linked to

supply regulation. Modification of M. Friedman 's theory under conditions of changing money turnover rate. Nominal and real interest rates. Real interest rate dualism: ex ante and ex post. Nominal interest rate and money demand. Future money and current prices. Expected and unexpected inflation costs. The role of the central bank in shaping anti-inflationary expectations of business and households.									monetary policies: Asset market bubbles.
5. Labour market and Unemployment problem and natural unemployment rate. The role of active labor market policies in modern economic policy. Links between economic and social policies and unemployment rates. The problem of unemployment as a natural consequence of a market economy. Labor market circulation and natural unemployment rates. Social security policy through the prism of the unemployment problem. State regulation of the minimum wage. Unemployment insurance and unemployment benefits. Inflexibility of real wages and the role of trade unions. Efficiency pay.	2	2					4	1 2	Analysis of Lithuanian and international labor market policy components. Examining how specific labor market regulatory measures affect market entry and exit rates.
6. Business cycle. Aggregate supply and demand at inflexible prices. Time horizon in economic policy. Flexible and inflexible prices, reasons for price "paralysis". Possibilities and alternatives for stabilization policy in the short term. Stabilization policy strategy and tactics. Aggregate supply and demand shocks. Stagflation and the state of the "path" in economic policy.	2	2					4	1 2	Dividing into two camps and examining the situation of two specific countries by submitting recipes for economic policy, their justification. Group discussionp and public presentation.
7. Fiscal and monetary policies in the IS and LM model. Influence of Fiscal Policy Decisions on the IS Curve in the Short Term. Influence of monetary policy decisions LM curve in the short term. Interdependence of monetary and fiscal policies and possible combinations. Central bank alternatives: amount of money versus interest rate. Liquidity traps.	2	2					4	1 2	Examining recent practices of the ECB and the Fed, are they in line with traditional theoretical concepts and what deviations from them are seen, given the challenges of the global financial crisis, and the debt crisis in the euro area and Covid pandemic.
8. Governments and markets in a democratic society. The limits of markets. Political monopoly and competition compared. Governments and markets in a democratic society. The distributional impact of public policies. The feasibility of economic policies.	1	1					2	1 2	Examples of asset bubbles. Discussions over rent control, free tuition and other examples of distributional impact of public policies.
Total	1 6		1 6				3 2	9 8	

Assessment strategy	Weight, %	Deadline	Assessment criteria
Individual/group project	40%	During semester	Accuracy of the answer, creativity, ability to argue and express ideas fluently, knowledge of the problem under consideration. Presence & Communication.
Discussion	20%	During semester	Clarity, Content, and Confidence. Reasoning Skills. Accuracy of the answer, creativity, ability to argue and express ideas fluently, knowledge of the problem under consideration.
Exam	40%	During session	Accuracy of the answer, knowledge of the problem under consideration. Ability to recognize a logical economic argument or to distinguish it from an illogical one.

Author	Year of publication	Title	Issue of a periodical or volume of a publication	Publishing place and house or web link
Compulsory reading				
Blanchard O.	2006	Macroeconomics		Pearson Prentice Hall
Mankiw N.G.	2009	Macroeconomics		Worth Publishers
Optional reading				
Publications//www.imf.org	2000 - 2021	Practical Issues in the Adoption of Inflation Targeting by Emerging Market Countries		IMF Working Papers
Ethan Bueno de Mesquita	2016	Political Economy for Public Policy		Princeton University press
Bénassy-Quéré, Agnès, Cœuré, Benoît, Jacquet, Pierre and Pisani-Ferry, Jean	2019	Economic Policy: Theory and Practice, 2nd edn,		Oxford University Press, New York,