



Exchange Rates and International Capital Markets

(Summer Semester 2010)

Course information

Course description and objectives

After reviewing the building blocks of open economy macroeconomics (purchasing power parity, interest parity conditions etc.), the basic rules of balance-of-payments accounting, and the structure of the international financial system, the course introduces students to the canonical models of current account and exchange rate determination. Special emphasis will be put on the role of international capital mobility in expanding the set of investment possibilities and in limiting the scope of national economic policy. The tutorial will review the theoretical concepts presented in the lecture and encourage students to confront these concepts with real-world data.

Having attended this course, students

- will know the fundamental sources of exchange rate fluctuations as well as the key determinants of international investments;
- will be familiar with the analytical tools used to explain movements in exchange rates and international capital flows;
- will be able to assess the benefits and risks associated with international trade and investments;
- will be able to assess the implications of macroeconomic policies in open economies (e.g. the consequences of different exchange rate regimes, the effects of capital controls)

Times and places:

Tuesday, 4.15 p.m. – 5.45 p.m. Room RW 2

Wednesday, 12.30 p.m. – 2.00 p.m., Room HS 16 (fortnightly, starting on April 14)

Start of course: April 13, 2010.

Note:

- There will be a concentration of lectures in the first part of the semester and a concentration of tutorials in the second part.
- The lecture of **April 20** is shifted to Friday, **April 23**, 8.30-10.00, Room HS 13.

Fachbereich
Rechts- und
Wirtschaftswissenschaften

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Audience:

- Wirtschaftswissenschaften Bachelor/Beifach:
Spezialisierungsstudium, Schwerpunkt „International Economics“
- Wirtschaftswissenschaften Diplom- und Magister:
Kernfach VWL-Theorie, VWL-Politik, Wahlfach Internationale Wirtschaftsbeziehungen

Prerequisites:

Students should have attended classes in intermediate micro- and macroeconomics. Moreover, a fair command of the English language is required for attending this course.

Literature (preliminary):

Harms, Philipp (2008): Internationale Makroökonomik, Mohr Siebeck.

Copeland, Laurence (2005): Exchange Rates and International Finance, 4th edition, Prentice Hall.

Feenstra, R. and M. Taylor (2008): International Economics, Worth Publishers.

Krugman, Paul R. and Maurice Obstfeld (2009): International Economics – Theory and Policy, 8th edition, Addison Wesley.

Obstfeld, Maurice and Kenneth Rogoff (1996): Foundations of International Macroeconomics, MIT Press.

Stock, J. and M. Watson (2007): *Introduction to Econometrics*, 2nd edition, Pearson Education.

Van Marrewijk, Charles (2007): International Economics, Oxford University Press.

A detailed list of references will be distributed at the start of the course.

Reading List and Teaching Materials

... will be available through **reader plus** (<https://www.zdv.uni-mainz.de/readerplus/>). The password will be announced in the first lectures.