

**Seminar (“Research Module”)  
in International Economics**

**“Exchange Rates:  
Determinants, Effects, and Policy Choices”**

**Summer Semester 2019**

**Motivation:**

Both academic economists, finance-industry practitioners, policymakers and the broad public devote a lot of attention to the level and fluctuations of nominal and real exchange rates. This is not surprising, since appreciations and depreciations have massive consequences for countries’ “price competitiveness” and net international investment positions as well as effective asset returns. The goal of this seminar is to arrive at a better understanding of the forces that drive exchange rates and the consequences of exchange rate fluctuations. Attention will be devoted to measurement issues and to the short-run and long-run determinants of a currency’s external value. Moreover, we will explore governments’ policy choices with respect to the exchange rate regime as well as the constraints imposed by these choices.

Students will work on a specific topic (as defined by the seminar organizers), give a presentation, and elaborate on their insights in a term paper.

Here is a preliminary (and non-exhaustive) list of potential topics:

- What is an effective exchange rate, and how should it be computed?
- Which exchange rate should be used for international income comparisons?
- Which factors determine the real exchange rate?
- Trilemma or dilemma: Does the exchange rate regime constrain economic policy?
- What is the “forward premium puzzle”, and what are potential solutions?
- What is the “Dutch disease”, and how can it be diagnosed?

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A detailed list of topics including some first references will be presented at the start of the seminar. Some of these topics will have a theoretical/analytical focus, some will concentrate on empirical issues, and some will concern institutional questions.

### Important Dates (preliminary):

25.04.2019, 4.15 – 6 pm:	Introductory meeting and presentation of topics (attendance is mandatory)
through 06.05.2019:	Distribution of topics
27.06.2019, noon to evening 28.06.2019, whole day	} Student presentations (attendance is mandatory)
16.09.2019, 11 am:	

### Participants:

The seminar is offered as a **Research Module in International Economics** to those students in the **Masters Program “International Economics and Public Policy” (MIEPP)** who chose the specialization area **“International Economics”**.

### Basic References:

Successful participation in the seminar requires a sound knowledge of international macroeconomics as offered by

Harms, Philipp (2016): *International Macroeconomics, 2<sup>nd</sup> edition*, Tübingen (Mohr Siebeck).

Before their presentations on June 27/28, 2019, students are strongly (!) recommended to read (at least) Chapters II, VII and VIII of this book.

### Contact Information:

Jakub Knaze  
Room 00-131 (ReWi II)  
knaze@uni-mainz.de