

Master in International Economics and Public Policy

International Monetary Economics (Winter semester 2020/2021)

Contents/Organization/Program/References

(This version: October 15, 2020)

Contents

The goal of this course is to endow students with a solid knowledge of international monetary economics. Upon completion, participants should understand the determinants of exchange rates and their influence on economic activity, the role of central banks and the effects of monetary policy, the key properties of the international financial system, and the origins and evolution of currency crises. To achieve this goal, the course will start with a brief overview of exchange rate concepts, review the role of money in the economy as well as basic models of exchange rate determination, and introduce the institutions involved in monetary policy as well as their operating procedures. In the second part of the course, we will describe the effects of monetary policy in open economies, starting with traditional Keynesian models and then introducing participants to modern macroeconomic models with microeconomic foundations and a dynamic structure. The third part will use these insights to discuss the implications of different exchange rate regimes and the determinants and evolution of balance of payments crises. While the course puts a strong focus on theoretical models, it will also engage students in confronting theoretical insights with descriptive evidence and econometric tests.

Organization:

Times and Places:

Lecture: Thursday, 10.15 am to 11.45 am, Room N1 (Prof. Dr. Philipp Harms)

Tutorial: Monday, 12.15 pm to 1.45 pm, Room N1 (Mark Ruszel, M.Sc.)

The course starts on November 2, 2020. Note that there will be a concentration of lectures at the start of the semester, and that some of the tutorial slots will be used for lectures. Please consider the **preliminary schedule**, which can be found at the end of this document.

Lecture Materials:

All presentations used in the course and the tutorial as well as administrative information (e.g. the schedule) will be made available via ILIAS (<http://ilias.uni-mainz.de>). The respective **password** will be sent out to those students **who have registered for the course in JOGUSStiNe**. Please make sure you check your **students email address at JGU Mainz**.

Recordings:

Lectures and tutorials will be **recorded**, and the resulting **videos** will be made available to students, albeit with some delay (expect two to three days) on the **JGU Panopto platform**. The respective **link** will be communicated to students via **ILIAS**. Videos will be available until the end of the winter semester 2020/21 (March 31, 2021).

Rules:

Due to the Corona epidemic, **classroom teaching at JGU Mainz** has to follow strict rules during the winter semester 2020/21. We managed to book a room (N1) that is large enough to guarantee that students attending the International Monetary Economics lecture and tutorial will be able to stay sufficiently distant from each other. However, both faculty and students will have to follow **strict rules**. We will communicate these rules in due course.

In case of an infection among course participants, or if official regulations require it, we will have to **move online**. In this case, lectures and tutorials will be made available as **videos** via the **JGU Panopto platform**. The respective **link** will be communicated to students via **ILIAS**.

Information on all matters concerning the course will be distributed to your **students email address** at JGU Mainz via **ILIAS**, so make sure you regularly **check your students email address**.

Audience:

The course is an elective module in the specialization part (**International Economics**) and in the free part of the **M. Sc. in International Economics and Public Policy**. It can also be attended as an elective module by students of the **M. Sc. in Management and Accounting and Finance**. Having completed my course on **International Macroeconomics** is recommended, but not mandatory.

Contact:

Prof. Dr. Philipp Harms / Mark Ruszel, M.Sc., LsHarms@uni-mainz.de

Program:

(Preliminary. This version: October 14, 2020)

1. Introduction

2. Money and Exchange Rates: The Basics

2.1. What is money?

2.2. Explaining money demand

2.3. Understanding the mechanics of money supply

2.4. Price rigidities and monetary non-neutrality

2.5. Exchange rates revisited

2.6. Summary and Outlook

Literature: PhH VII.1-3, VIII.1-4

3. Exchange Rate Economics

3.1. Motivation

3.2. The monetary model revisited

3.3. Explaining exchange-rate overshooting: the Dornbusch model

3.4. Portfolio balance models and the rationale of foreign exchange interventions

3.5. Summary and Outlook

Literature: PhH VIII.4-6

4. Keynesian Models of the Open Economy

4.1. Motivation

4.2. For the back of the envelope: the Mundell-Fleming model

4.3. Keynesian macroeconomics with solid microeconomic foundations: the New Open Economy Macroeconomics (NOEM)

4.4. Summary and Outlook

Literature: PhH IX.1-3

5. Exchange Rate Policies, Currency Crises, and the International Monetary System

5.1. Motivation

5.2. To fix or not to fix the exchange rate?

5.3. Models of currency crises

5.4. Understanding the international monetary system

5.5. Summary and Outlook

Literature: PhH X.1-4

References:

The course will heavily draw on the following textbook:

Harms, Philipp (2016): *International Macroeconomics, 2nd edition*, Tübingen (Mohr Siebeck). (PhH)

(The university library has purchased an e-version of this book, which is accessible to all JGU students. Make sure that you are logged into the JGU network when you access this book.)

Occasionally, I will also refer to the following texts:

Gali, Jordi (2015): *Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and its Applications, 2nd edition*, Princeton (Princeton University Press).

Walsh, Carl E. (2017): *Monetary Theory and Policy, 4th edition*, Cambridge MA (MIT Press).

(Earlier versions of these books can also be used.)

The list of references will probably lengthen as the course proceeds.

Schedule

(Preliminary, possibly subject to changes. This version: October 15, 2020)

1	Mon, 02. Nov. 2020	12:15	13:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
	Thu, 05. Nov. 2020	10:15	11:45			
2	Mon, 09. Nov. 2020	12:15	13:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü1	Thu, 12. Nov. 2020	10:15	11:45	00 521 N 1	Mark Ruszel	Tutorial
3	Mon, 16. Nov. 2020	12:15	13:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
4	Thu, 19. Nov. 2020	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü2	Mon, 23. Nov. 2020	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
5	Thu, 26. Nov. 2020	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü3	Mon, 30. Nov. 2020	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
6	Thu, 03. Dec. 2020	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü4	Mon, 07. Dec. 2020	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
7	Thu, 10. Dec. 2020	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü5	Mon, 14. Dec. 2020	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
8	Thu, 17. Dec. 2020	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü6	Mon, 04. Jan. 2021	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
9	Thu, 07. Jan. 2021	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü7	Mon, 11. Jan. 2021	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
10	Thu, 14. Jan. 2021	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü8	Mon, 18. Jan. 2021	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
11	Thu, 21. Jan. 2021	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü9	Mon, 25. Jan. 2021	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
12	Thu, 28. Jan. 2021	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü10	Mon, 01. Feb. 2021	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
13	Thu, 04. Feb. 2021	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture
Ü11	Mon, 08. Feb. 2021	12:15	13:45	00 521 N 1	Mark Ruszel	Tutorial
14	Thu, 11. Feb. 2021	10:15	11:45	00 521 N 1	Univ.-Prof. Dr. Philipp Harms	Lecture