

Master in International Economics and Public Policy

International Monetary Economics (Winter semester 2021/2022)

Contents/Organization/Program/References

(This version: **October 4, 2021**)

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

Teaching modalities in times of Covid19:

- The **International Monetary Economics-course** (lecture and tutorial) will take place **on campus** during the **winter semester 2021/22**. Due to the **ongoing Corona pandemic**, caution is still advised. In particular, the **regulations for on-campus teaching** set by **JGU Mainz** apply (e.g. the “**3G-rule**”, the **collection of contact details** and the **mandatory use of face masks** in the classroom). **Further information** can be found here: <https://www.studying.uni-mainz.de/corona-students/>.

- **Lectures** take place on **Wednesday, 10.15 am to 11.45 am** in **Room 00 421 P7**. **Tutorials** take place on **Tuesday, 4.15 pm to 5.45 pm** in **Room HS I**.
- Some of the tutorial slots in the first weeks of the semester will be used for lectures. A **detailed schedule** will be uploaded into our course on the **LMS/Moodle platform** shortly before the start of the semester.
- Note that the **first lecture** will take place on **Tuesday, October 26 2021 at 4.15 pm**.
- The **lecture and tutorial presentations** (in pdf format) can be downloaded from the **LMS/Moodle platform** at JGU Mainz (<https://lms.uni-mainz.de/moodle>). Those students **who have registered for the course in JOGUStINE** will automatically be assigned to the International Monetary Economics-course on the **LMS/Moodle platform**. The lecture and tutorial presentations will be uploaded **gradually**. During the course, we will write **comments** into these presentations and upload the annotated versions later on.
- In addition to classroom lectures and tutorials, students will have access to **lecture and tutorial videos** recorded during the **winter semester 2020/21**, which cover roughly the same material. The respective link will be communicated via our course on the **LMS/Moodle platform**.
- All **changes and news** will be disseminated by email via **LMS/Moodle**. Make sure you regularly check your **JGU 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 helpful, but not mandatory.

How to proceed:

- Register for the course in **JOGUStINE**, which is a prerequisite to be assigned to the **International Monetary Economics-course** on the **LMS/Moodle platform**.
- Make sure you regularly check your **JGU students email-address** to which relevant information will be sent.

Contact:

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

Program

(Preliminary. This version: October 4, 2021)

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. Summary and Outlook

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

3. Exchange Rate Economics

3.1. Motivation

3.2. Exchange rate basics: a review

3.3. The monetary model revisited

3.4. Explaining exchange-rate overshooting: the Dornbusch model

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

3.6. 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 is likely to lengthen as the course proceeds.