

## **Master in International Economics and Public Policy**

### **International Macroeconomics (Summer semester 2024)**

#### **Contents/Organization/Program/Literature/Schedule**

(This version: **February 12, 2024**)

#### **Contents**

In this course, students learn to competently read and interpret countries' balance of payments and international investment positions, to use dynamic models of open economies in order to understand the direction and volume of international capital flows, and to interpret fluctuations of the real exchange rate. Moreover, they learn to confront theoretical hypotheses with the data and to apply their insights and findings in discussions about economic policy issues. The course starts with a detailed (and facts-oriented) introduction to balance-of-payments accounting, then turns to an in-depth analysis of the current account and international capital flows, and eventually explains movements of the real exchange rate.

#### **Organization**

- **Times and places:**

**Lectures:** Wednesday, 10.15 – 11.45 am, room HS II. **Start: April 24, 2024**

**Tutorials:** Wednesday, 4.15 – 5.45 pm, room HS II

**Important note:** The tutorial slots of the first weeks will be used for lectures, and there will be a special time slot on April 30, 2024. See the last page of this document for a **detailed schedule**.

- The **lecture presentations** and **problem sets** (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 Macroeconomics course in **LMS/Moodle**.

- Students will have access to **lecture videos** of the **summer semester 2020**. Note, however, that the final exam will be based on the contents of the summer semester 2024. Thus, we *strongly* recommend to regularly attend the lectures and tutorials on campus.
- All **changes and news** will be disseminated by email via **LMS/Moodle**. Make sure you regularly check your **students email-address at JGU Mainz**.

### **Audience:**

For students attending the **M. Sc. in International Economics and Public Policy**, this course is part of the **elective modules in the specialization area International Economics**. It is also open to foreign students (e.g. in the context of the **Erasmus program**) and to students attending the **M.Sc. programs in Management or Finance & Accounting**.

### **How to proceed:**

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

### **Contact:**

Prof. Dr. Philipp Harms / Albi Lika, [LsHarms@uni-mainz.de](mailto:LsHarms@uni-mainz.de)

## Preliminary Program and References

(This version: February 12, 2024)

**Note:** The transparencies used in this course as well as further information are available in **LMS/Moodle**. Recommended readings are given in brackets. See the *Literature* section for a translation of the acronyms.

### 1. Introduction

### 2. The Balance of Payments: A Review

- 2.1. Motivation
- 2.2. The balance of payments: concepts, definitions, numbers (**PhH 2.1**)
- 2.3. The net international investment position (**PhH 2.2.1 – 2.2.3**)
- 2.4. Savings, investment, and the current account (**PhH 2.2.4 – 2.2.5**)
- 2.5. Summary and outlook

### 3. Intertemporal Trade: The Basic Representative-Consumer Model

- 3.1. Motivating the Intertemporal Approach: Savings, investment, and the current account (**PhH 2.3**, K/O 12)
- 3.2. The basic RC model of a SMOPEC with an exogenous income (**PhH 3.2, PhH 3.7**; O/R 1.1, 2.1)
- 3.3. The basic RC model with endogenous output and investment (**PhH 3.4, PhH 3.7**; O/R 2.1, 2.2)
- 3.4. Summary and outlook

### 4. Beyond the Representative-Consumer Model

- 4.1. The overlapping generations (OLG) model (**PhH 4.2**, O/R 3.1, 3.2)
- 4.2. Demographic structure and the current account (**PhH 4.2**; O/R 3.1, 3.2)
- 4.3. The IMF's external balance assessment (**PhH 7.6.4**, Cubeddu et al. 2019, IMF 2020a, 2020b)
- 4.4. Summary and outlook

## 5. The Real Exchange Rate

- 5.1. Motivation
- 5.2. Basic concepts and definitions (**PhH 7.2, PhH 8.3**)
- 5.3. The real exchange rate and purchasing power parity (**PhH 7.3**)
- 5.4. Fundamental determinants of the real exchange rate (**PhH 7.4 – 7.6, K/O16**)
- 5.5. Summary and outlook

### Literature

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

Coutinho, L. A. Turrini and S. Zeugner (2018): "Methodologies for the Assessment of Current Account Benchmarks", *European Commission Discussion Paper No. 086*.

Allen C., C. Casas, G. Ganelli, L. Juvenal, D. Leigh, P. Rabanal, C. Rebillard, J. Rodriguez, and J.T. Jalles (2023): "2022 Update of the External Balance Assessment Methodology", *IMF Working Paper No. 23/47*.

Gruhle, T. and P. Harms (2022): „Producer Services and the Current Account“, *Journal of International Money and Finance* 121, 102514.

International Monetary Fund/IMF (2011): *Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual*, available at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

International Monetary Fund (2023a): *External Sector Report 2023 External Rebalancing in Turbulent Times*; Available for download at <https://www.imf.org/en/Publications/ESR/Issues/2023/07/19/2023-external-sector-report>.

International Monetary Fund (2023b): *EBA Estimates: Analysis of 2022 Current Accounts and Real Effective Exchange Rates*; Available for download at <https://www.imf.org/external/np/res/eba/data/EBAEstimates-2022.pdf>

Krugman, P., M. Obstfeld, and M. Melitz (2018): *International Economics – Theory and Policy, 11<sup>th</sup> edition*. Boston (Addison Wesley). (**K/O**)  
(Previous editions are also fine for our purposes.)

Obstfeld, M. and K. Rogoff (1996): *Foundations of International Macroeconomics*, MIT Press. (**O/R**)

## International Macroeconomics, Summer Semester 2024

Schedule (This version: February 12, 2024)

	Wednesday	17.04.2024		Math Introduction	MIEPP	
	Wednesday	17.04.2024		Math Introduction	MIEPP	
L1	Wednesday	24.04.2024	10.15-11.45	Lecture	HS II	Harms
L2	Wednesday	24.04.2024	16.15-17.45	Lecture	HS II	Harms
L3	Tuesday	30.04.2024	18.15-19.45	Lecture	HS VII	Harms
	Wednesday	01.05.2024		1. Maifeiertag		
	<del>Wednesday</del>	<del>08.05.2024</del>	<del>10.15-11.45</del>	<del>Lecture</del>		
T1	Wednesday	08.05.2024	16.15-17.45	Tutorial	HS II	Lika
L4	Wednesday	15.05.2024	10.15-11.45	Lecture	HS II	Harms
L5	Wednesday	15.05.2024	16.15-17.45	Lecture	HS II	Harms
L6	Wednesday	22.05.2024	10.15-11.45	Lecture	HS II	Harms
T2	Wednesday	22.05.2024	16.15-17.45	Tutorial	HS II	Lika
L7	Wednesday	29.05.2024	10.15-11.45	Lecture	HS II	Harms
T3	Wednesday	29.05.2024	16.15-17.45	Tutorial	HS II	Lika
L8	Wednesday	05.06.2024	10.15-11.45	Lecture	HS II	Harms
T4	Wednesday	05.06.2024	16.15-17.45	Tutorial	HS II	Lika
L9	Wednesday	12.06.2024	10.15-11.45	Lecture	HS II	Harms
T5	Wednesday	12.06.2024	16.15-17.45	Tutorial	HS II	Lika
L10	Wednesday	19.06.2024	10.15-11.45	Lecture	HS II	Harms
T6	Wednesday	19.06.2024	16.15-17.45	Tutorial	HS II	Lika
L11	Wednesday	26.06.2024	10.15-11.45	Lecture	HS II	Harms
T7	Wednesday	26.06.2024	16.15-17.45	Tutorial	HS II	Lika
L12	Wednesday	03.07.2024	10.15-11.45	Lecture	HS II	Harms
T8	Wednesday	03.07.2024	16.15-17.45	Tutorial	HS II	Lika
L13	Wednesday	10.07.2024	10.15-11.45	Lecture	HS II	Harms
T9	Wednesday	10.07.2024	16.15-17.45	Tutorial	HS II	Lika
L14	Wednesday	17.07.2024	10.15-11.45	Lecture	HS II	Harms
T10	Wednesday	17.07.2024	16.15-17.45	Tutorial	HS II	Lika