

Master in International Economics and Public Policy

International Macroeconomics (Summer semester 2025)

Contents/Organization/Program/Literature/Schedule

(This version: **March 25, 2025**)

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: Tuesday, 10.15 – 11.45 am, room HS IV. **Start: April 22, 2025**

Tutorials: Wednesday, 08.15 – 09.45 am, room HS VIII

Wednesday, 16.15 – 17.45 pm, room HS VIII

Important note: The tutorial slots of the first week will be used for lectures. 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 2025. 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 / Luca Pennacchio, LsHarms@uni-mainz.de

Preliminary Program and References

(This version: **March 25, 2025**)

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**, Allen et al. 2023, IMF 2024a, 2024b, 2024c)
- 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 (2024a): External Sector Report 2024 Imbalances Receding; Available for download at <https://www.imf.org/en/Publications/ESR/Issues/2024/07/12/external-sector-report-2024>

International Monetary Fund (2024b): EBA Estimates: Analysis of 2023 Current Accounts and Real Effective Exchange Rates ; Available for download at <https://www.imf.org/external/np/res/eba/data/EBAEstimates-2023.pdf>

International Monetary Fund (2024c): EBA-Lite 3.0 Model and Methodology; Available for download at <https://www.imf.org/en/Publications/Policy-Papers/Issues/2024/11/18/EBA-Lite-3-557394>

Krugman, P., M. Obstfeld, and M. Melitz (2018): *International Economics – Theory and Policy, 11th 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 2025

Schedule (This version: [March 25, 2025](#))

14.-17.04.2025				Math Introduction		
L1	Tuesday	22.04.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
L2	Wednesday	23.04.2025	08.15-09.45	Lecture	HS IV	Prof. Dr. P. Harms
L3	Wednesday	23.04.2025	18.15-19.45	Lecture	HS III	Prof. Dr. P. Harms
TA1	Wednesday	30.04.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB1	Wednesday	30.04.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L4	Tuesday	06.05.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA2	Wednesday	07.05.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB2	Wednesday	07.05.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L5	Tuesday	13.05.2025	10.15-14.45	Lecture	HS IV	Prof. Dr. P. Harms
TA3	Wednesday	14.05.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB3	Wednesday	14.05.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L6	Tuesday	20.05.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA4	Wednesday	21.05.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB4	Wednesday	21.05.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L7	Tuesday	27.05.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA5	Wednesday	28.05.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB5	Wednesday	28.05.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L8	Tuesday	03.06.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA6	Wednesday	04.06.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB6	Wednesday	04.06.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L9	Tuesday	10.06.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA7	Wednesday	11.06.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB7	Wednesday	11.06.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L10	Tuesday	17.06.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA8	Wednesday	18.06.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TA8	Wednesday	18.06.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L11	Tuesday	24.06.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA9	Wednesday	25.06.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB9	Wednesday	25.06.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L12	Tuesday	01.07.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA10	Wednesday	02.07.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB10	Wednesday	02.07.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L13	Tuesday	08.07.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA11	Wednesday	09.07.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB11	Wednesday	09.07.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio
L14	Tuesday	15.07.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. P. Harms
TA12	Wednesday	16.07.2025	08.15-09.45	Tutorial A	HS VIII	Albi Lika
TB12	Wednesday	16.07.2025	16.15-17.45	Tutorial B	HS VIII	Luca Pennacchio