

## **Exchange Rates and International Capital Markets (Summer semester 2025)**

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

(This version: **April 15, 2025**)

#### **Contents**

The course starts with a detailed (and facts-oriented) introduction to balance-of-payments accounting. It continues by presenting the basic model of intertemporal trade, which relates movements of the current account to savings and investment decisions. We will then extend the model to analyze the effects of budget deficits and the determinants and consequences of country risk. The second part of the course starts by introducing various concepts of the exchange rate (bilateral vs. effective, nominal vs. real, spot vs. forward). It then highlights the role of expectations for fluctuations of the nominal exchange rate, presents the concept of purchasing power parity and analyzes fundamental determinants of the real exchange rate. The last part of the course considers the effects of real and monetary shocks in open economies, the scope for economic policy, and the role of the exchange rate regime.

#### **Organization**

- **Times and places:**

**Lectures:** Wednesday, 12.15 – 1.45 pm, room HS IV **Start: April 16, 2025.**

**Tutorial A:** Tuesday, 2.15 – 3.45 pm, room HS IX (biweekly)

**Tutorial B:** Friday, 10.15 – 11.45 am, room HS IV (biweekly)

**Important note:** The tutorial slots of the first weeks will be used for lectures, and there will be a special time slot on June 17, 2025. See the last page of this document for a **detailed schedule**.

- 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 Exchange Rates and International Capital Markets course in **LMS/Moodle**.

- Students will have access to **lecture and tutorial 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:**

Students enrolled in the **B. Sc. in Management and Economics (Wirtschaftswissenschaften)** or with economics as a minor subject ("**Beifach**"), as well as guest students (e.g. in the context of the **Erasmus program**).

### **How to proceed:**

- Register for the course in **JOGUSTiNe**, which is a prerequisite to be assigned to the **Exchange Rates and International Capital Markets** 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 / Christoph Schaffer / Tristan Steinhage, [LsHarms@uni-mainz.de](mailto:LsHarms@uni-mainz.de)

## **Preliminary program and references**

(This version: **April 15, 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**

- 2.1. The balance of payments (**PhH 2**, K/O 12, CvM2)
- 2.2. Savings, investment, and the current account (**PhH 2**, K/O 12)

### **3. Intertemporal Trade and the Current Account**

- 3.1. The current account of a small open economy (**PhH 3**, O/R 1.1)
- 3.2. Determining the world interest rate (**PhH 3**, O/R 1.3)

### **4. Intertemporal Trade: Extensions**

- 4.1. Government spending, budget deficits, and the current account (**PhH 4.3**, O/R 1.1.6, 1.2.4, 3.1)
- 4.2. Country risk: determinants and consequences (**PhH 6**, O/R 6)

### **5. The Exchange Rate**

- 5.1. Basic concepts and definitions (**PhH 8**, CvM 18-19)
- 5.2. Uncovered interest rate parity and the role of expectations for the exchange rate (**PhH 8**, CvM 21, 24, 26)
- 5.3. The real exchange rate, the law of one price, purchasing power parity, and beyond. (**PhH 7**, CvM 20)

### **6. Monetary and fiscal policy in open economies**

- 6.1. The “Keynesian cross” revisited
- 6.2. The Mundell-Fleming model (**PhH 9**, CvM 25)
- 6.3. The role of the exchange rate regime (**PhH 9**)
- 6.4. Monetary and fiscal policies in open economies (**PhH 9**, CvM 31)

## Literature

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

Copeland, Laurence (2014): *Exchange Rates and International Finance*, 6<sup>th</sup> edition, Prentice Hall.

Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz (2018): *International Economics – Theory and Policy*, 11<sup>th</sup> edition, Pearson. **(K/O)**  
(Previous editions are also fine for our purposes.)

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

Schmidt-Grohe, Stephanie, Michael Woodford, and Martin Uribe (2022): *International Macroeconomics – A Modern Approach*. Princeton (Princeton University Press).  
Slides available at <http://www.columbia.edu/~mu2166/UIM/>

Van Marrewijk, Charles (2012): *International Economics – Theory, Application and Policy*, 2<sup>nd</sup> edition Oxford University Press. **(CvM)**

## Exchange Rates and International Capital Markets, Summer Semester 2025

Schedule (This version: April 15, 2025)

L1	Wednesday Friday	16.04.2025 18.04.2025	12.15-13.45	Lecture	HS IV	Prof. Dr. Harms Good Friday
	Monday	21.04.2025				Easter Monday
L2	Wednesday	23.04.2025	12.15-13.45	Lecture	HS IV	Prof. Dr. Harms
L3	Friday	25.04.2025	10.15-11.45	Lecture	HS IV	Prof. Dr. Harms
TA1	Tuesday	29.04.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
TB1	Wednesday Thursday	30.04.2025 01.05.2025	12.15-13.45	Tutorial B	HS II	Christoph Schaeffer Labor Day
L4	Wednesday	07.05.2025	12.15-13.45	Lecture	HS II	Prof. Dr. Harms
TA2	Tuesday	13.05.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
L5	Wednesday	14.05.2025	12.15-13.45	Lecture	HS II	Prof. Dr. Harms
TB2	Friday	16.05.2025	10.15-11.45	Tutorial B	HS IV	Christoph Schaeffer
L6	Wednesday	21.05.2025	12.15-13.45	Lecture	HS II	Prof. Dr. Harms
L7	Wednesday Thursday	28.05.2025 29.05.2025	12.15-13.45	Lecture	HS II	Prof. Dr. Harms Ascension Day
TA3	Tuesday	03.06.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
L8	Wednesday	04.06.2025	12.15-13.45	Lecture	HS II	Prof. Dr. Harms
TB3	Friday	06.06.2025	10.15-11.45	Tutorial B	HS IV	Christoph Schaeffer
	Monday	09.06.2025				Whit Monday
TA4	Tuesday	10.06.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
L9	Wednesday	11.06.2025	12.15-13.45	Lecture	HS II	Prof. Dr. P. Harms
TB4	Friday	13.06.2025	10.15-11.45	Tutorial B	HS IV	Christoph Schaeffer
L10	Tuesday Thursday	17.06.2025 19.06.2025	14.15-15.45	Lecture	HS IX	Prof. Dr. P. Harms Corpus Christi
TA5	Tuesday	24.06.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
L11	Wednesday	25.06.2025	12.15-13.45	Lecture	HS II	Prof. Dr. P. Harms
TB5	Friday	27.06.2025	10.15-11.45	Tutorial B	HS IV	Christoph Schaeffer
L12	Wednesday	02.07.2025	12.15-13.45	Lecture	HS II	Prof. Dr. P. Harms
TA6	Tuesday	08.07.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
L13	Wednesday	09.07.2025	12.15-13.45	Lecture	HS II	Prof. Dr. P. Harms
TB6	Friday	11.07.2025	10.15-11.45	Tutorial B	HS IV	Christoph Schaeffer
TA7	Tuesday	15.07.2025	14.15-15.45	Tutorial A	HS IX	Tristan Steinhage
L14	Wednesday	16.07.2025	12.15-13.45	Lecture	HS II	Prof. Dr. P. Harms
TB7	Friday	18.07.2025	10.15-11.45	Tutorial B	HS IV	Christoph Schaeffer