

Master in International Economics and Public Policy

International Monetary Economics (Winter semester 2025/26)

Contents/Organization/Program/References

(This version: **October 21st, 2025**)

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. To achieve this goal, the course will start by reviewing the role of money in the economy and introduce the institutions involved in monetary policy. The course will proceed by introducing key exchange rate concepts and basic models of exchange rate determination. The last part of the course will analyze the macroeconomic effects of monetary and fiscal policy in open economies and the role of the exchange rate regime. 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

- This course will take place entirely **on campus**.
- **Lectures** (Philipp Harms) will regularly take place on **Mondays, 14.15 to 15.45** in **Room 00 251 HS V**. The **first lecture** will take place on **November 3rd, 2025**. Note that the first two tutorial slots (Nov 5th and Nov 12th.) will be used for lectures.
- **Tutorials** (Luca Pennacchio) will regularly take place on **Wednesdays, 12.15 to 13.45** in **Room 00 251 HS V**. The **first tutorial** will take place on **November 19th, 2025**.
- A **detailed schedule** is available on the **LMS/Moodle platform** at JGU Mainz (<https://lms.uni-mainz.de/moodle>).

- The **lecture and tutorial presentations** (in pdf format) can be downloaded from the **International Monetary Economics lecture** site on the **LMS/Moodle platform**. 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 and have access to the course material.
- 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 regarding the first part of the lecture. The respective link will be communicated via our course on the **LMS/Moodle platform**. Note that the material covered in the winter semester 2025/26 will be relevant for the final exam. Students should be aware that the course content has **changed significantly** since the videos were produced. Hence, relying solely on the videos is **not** recommended.
- 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**. It is also open to exchange students – e.g. in the context of the Erasmus+ program – at the advanced (!) bachelors and masters level.

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 / Luca Pennacchio, M.Sc., LsHarms@uni-mainz.de

Program

(Preliminary. This version: **October 21st, 2025**)

1. Introduction

2. Monetary Economics: The Basics

2.1. What is money?

2.2. Explaining money demand

2.3. Understanding the mechanics of money supply

2.4. Money market equilibrium

2.5. Price rigidities and monetary non-neutrality

2.6. The inflation bias and the case for central bank independence

2.7. Summary and Outlook

Literature: PhH VII.1-3, VIII.1-4, X.2

3. Exchange Rate Economics

3.1. Motivation

3.2. Exchange rate basics: a review

3.3. The monetary model of the exchange rate revisited

3.4. A brief look at exchange-rate overshooting: the Dornbusch model

3.5. Portfolio balance models and the rationale for 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. Downward wage-rigidity and the role of the exchange rate-regime

4.4. A brief look at the New Open Economy Macroeconomics (NOEM)

4.5. Summary and Outlook

Literature: PhH IX.1-3

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).

Leay, M., A. Radia and R. Thomas (2014): "Money creation in the modern economy", *Bank of England Quarterly Bulletin* 2014 Q1, 14-27.

Schmitt-Grohe, Stephanie and Martin Uribe (2017): *Open Economy Macroeconomics*, 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.