

EC310 International Monetary Economics

Seminar Leader: Marcus Giamattei

Course Times: Tue 15.45-17.15 and Wed 9-10.30

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Course Description

International monetary economics seeks to advance an understanding of international flows of goods, services, and capital, and the policy measures that are taken to organise and regulate these. This embraces global financial institutions as well as the practice of dealing with exchange rate risks and forecasts. What policies and variables affect the exchange rate, and can we forecast its development? In which currency should international traders invoice goods and financial transactions? Does foreign investment stimulate the economy? How should policymakers deal with a current account deficit? Is openness (to trade and finance) good? What roles should central banks and fiscal policy play, and might international relationships impede these? Do capital controls make sense? By working on these questions, students are enabled to understand the international context of individual economic decisions, to decipher the effects and deficits of globally operating financial institutions, and to devise decision models that are relevant to practice.

Requirements

Prerequisite:

Students should have taken the class on macroeconomics before taking the course in Global Economics. Exceptions to this rule must be agreed with the instructor.

Textbook

For this course, we will use the textbook “International Monetary Economics. Lectures in Economics” by Johann Graf Lambsdorff and Marcus Giamattei. The textbook contains all exercises and relevant materials. No further material is needed. The textbook will be made available to students for purchase at the beginning of the semester.

The book contains, in a concise and compact form, the most important contents, current data, descriptive graphics, accounting transactions of the national accounts and illustrative background information, which enables an understanding of the material. Modern controversies are dealt with in such a way that they can be understood on the basis of a uniform model framework, but also provide an outlook on the current research front. At the same time, the lecture uses interactive forms of teaching which, with the help of classEx, enable a new kind of teaching-learning environment, as well as the spontaneous integration of behavior-oriented and experimental findings.

Attendance

Attendance at all classes is a crucial part of the education offered by Bard College Berlin and therefore mandatory. Students may be excused if circumstances outside of their control prevent their attendance (e.g. illness, appointment with a government office). These cases are excused if notification is given via email before the course. The instructor may require additional documentation in case of absences or frequent exams on the day of absence.

Bard College Berlin does not offer credit for any course in which a student has missed more than 30% of classes, regardless of the reasons for the absences, whether excused or unexcused.

The full Bard College Berlin attendance policy can be found in the Student Handbook, Section 2.8.

Assessment

Assessment will be based on attendance, preparation for classes, regular and active participation, professionalism (see below), home exercises, as well as a midterm (60 minutes) and final examination (90 minutes). The home exercise with the lowest grade will not count towards the grade.

Exercise Deadlines

Exercises are due before class one week after being given. Those exercises will be given throughout the course where appropriate and constitute an integral part of the final grade.

Policy on Late Submission of Exercises

Exercises that are up to 24 hours late will be downgraded one full grade (from B+ to C+, for example). After that, we will accept late submissions only until the end of the week in which they were due (Sun, 23:59), but these cannot receive a grade of higher than C. Thereafter, the student will receive a failing grade for the assignment.

Grade Breakdown

Seminar preparation, professionalism and participation 20%

Home Exercises 20%

Midterm examination 30%

Final examination 30%

Schedule

The fall semester runs from Monday, August 29 and runs until Friday, December 16, with fall break planned from Monday, October 24 – Sun, October 30. Completion week is from December 12 through December 16. Students are required to be on campus during completion week.

	Topic	Reading
Week 1	Introduction and repetition of closed macroeconomics	-
Week 2	Accounting in an open economy – Balance of Payments	Chapter 1.1-1.4
Week 3	Accounting in an open economy – National accounts	Chapter 1.5

Week 4	Exchange rates and purchasing power parity	Chapter 2.1-2.3
Week 5	Short term deviations and domestic demand	Chapter 2.6
Week 6	Capital mobility and interest rate parities – Nominal interest rate parity	Chapter 3.1
Week 7	Capital mobility and interest rate parities – Real interest rate parity <i>mid-term tbs, during class hours</i>	Chapter 3.2
Week 8	Capital mobility and interest rate parities – Central bank intervention	Chapter 3.3-3.6
Fall break		
Week 9	Open economy with constant inflation – fiscal and monetary policy	Chapter 4.1-4.4
Week 10	Open economy with constant inflation – changes in the foreign interest rate and forward-looking expectations	Chapter 4.5-4.6
Week 11	Open economy with variable inflation – monetary policy	Chapter 5.1-5.3
Week 12	Open economy with variable inflation – fiscal policy inflation differentials and imported inflation	Chapter 5.4-5.5
Week 13	International financial architecture	Chapter 6.1-6.2
Week 14	International financial architecture – Original sin	Chapter 6.3-6.5
Week 15 Completion week	FINAL EXAMINATION: tba	

Professionalism

Being a student is your full-time job and with it come a set of responsibilities and expectations, as with any other job. Maintaining a professional attitude towards your course of study is something that also prepares you for later work life. A professional attitude towards your studies is shown by coming to class on time, being prepared, being courteous to your teachers and fellow students. It is exhibited by writing your essays with care, actively participating in class, avoiding distractions (excessive bathroom breaks, using smartphones to check on irrelevant issues during class etc.), not missing classes except for the direst of circumstances and in general by adapting to the rules of the course without trying to bargain for personal exceptions.

Ethics/Academic honesty

A core value of the academy is truth and the pursuit thereof. Nothing can shake the foundations of this pursuit as much as academic dishonesty as it undermines the trust that is indispensable to it. This is why I will not excuse any instance of academic dishonesty. Plagiarism, cheating during exams, copying homework assignments (or doing individual assignments with a classmate) all constitute

violations of academic honesty and of the clause on “academic integrity” that each student has signed in the student handbook. They can lead to failing the course and will be reflected in the student’s record (having a record of academic dishonesty can make obtaining scholarships, achieving a study abroad place or admission to another program difficult if not outright impossible). If students fail to meet the expected standards of academic integrity, this will be dealt with under the Code of Student Conduct, Section III Academic Misconduct.

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