

Module title		Abbreviation
European Monetary Policy - Open Economy		12-M-EG2-102-m01
Module coordinator		Module offered by
holder of the Chair of Monetary Policy and International Economics		Faculty of Business Management and Economics
ECTS	Method of grading	Only after succ. compl. of module(s)
5	numerical grade	--
Duration	Module level	Other prerequisites
1 semester	graduate	--
Contents		
<p>The course deals with the following topics:</p> <p>The foreign exchange market: Functioning of foreign exchange markets; market structure, players and evolution; FX transactions; hedging and speculation with FX.</p> <p>Exchange rate economics: Theoretical background and empirical validity of covered interest parity (CIP), uncovered interest rate parity (UIP) and purchasing power parity (PPP); Monetary approach: Flexible price monetary model and sticky price (Dornbusch-) overshooting model; Balassa-Samuelson effect; FX valuation via the PPP and the macroeconomic balance approach; Real effective exchange rates; Empirical validity of the exchange rate theories; Exchange rates and the current account.</p> <p>Exchange rate regimes and monetary policy in open economies: Classification of exchange rate regimes; the policy trilemma in open economies; historical development of the international monetary system; central bank interventions on the FX market.</p> <p>Modelling open economy macroeconomics at the intermediate level: Implications of the Mundell-Fleming model for monetary and fiscal policy under fixed and flexible exchange rates. The BMW (IS-MP-PC) model of the open economy and its implication for monetary and fiscal policy under fixed and flexible exchange rates; optimum currency areas in the BMW model and in practice.</p> <p>Currency crises: International experience with currency crises since the 1970s; modelling currency crises within the Mundell-Fleming framework.</p> <p>Managed-floating as a solution for the policy trilemma.</p>		
Intended learning outcomes		
<p>By completing this course, students receive a profound understanding of the functioning of foreign exchange markets, the drivers of exchange rate movements and some exchange rate valuation methods used in practice. Next to a profound knowledge of exchange rate theory the course highlights its practical applicability, e.g. as an investment strategy. In the second part of the course students learn the principles of monetary policy in open economies, including its trade-offs and risks like currency crises. Students will be able to analyze these issues based on theoretical models as well as the international historical experience.</p>		
Courses (type, number of weekly contact hours, language — if other than German)		
V + Ü (no information on SWS (weekly contact hours) and course language available)		
Method of assessment (type, scope, language — if other than German, examination offered — if not every semester, information on whether module is creditable for bonus)		
written examination (approx. 60 minutes)		



Allocation of places
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Additional information
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Workload
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Teaching cycle
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Referred to in LPO I (examination regulations for teaching-degree programmes)
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Module appears in
Master's degree (1 major) Business Management (2010) Master's degree (1 major) Economics (2010)
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