**Academic Year/course: 2022/23**

# 61344 - Economics Exchange Rates and Monetary Integration

## Syllabus Information

**Academic Year:** 2022/23
**Subject:** 61344 - Economics Exchange Rates and Monetary Integration
**Faculty / School:** 109 - Facultad de Economía y Empresa
**Degree:** 525 - Master's in Economics
**ECTS:** 3.0
**Year:** 1
**Semester:** Second semester
**Subject Type:** Optional
**Module:**

# 1. General information

## 1.1. Aims of the course

The economics of the exchange rate is an area within international finance in continuous progress and that generates a high interest among academics, policy makers and professionals. The main objective of this subject is to bring the student closer to academic research on the exchange rate and monetary integration processes. A first objective is to analyze, from a theoretical point of view, the determination of currency exchange rates; A second objective is to know and apply the econometric techniques that allow contrasting the models for determining the exchange rate. For this, the student will be provided with the appropriate data analysis and programming tools.

These approaches and objectives are aligned with the following Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda (https://www.un.org/sustainabledevelopment/es/), so that the acquisition of the learning outcomes of the subject provides training and competence to contribute to some extent to their achievement:
Goal 8: Decent work and economic growth.
Goal 9: Industry, innovation and infrastructure.
Goal 10: Reducing inequalities.
Goal 12: Responsible production and consumption.

## 1.2. Context and importance of this course in the degree

Economics of the exchange rate and monetary integration? is one of the optional subjects of the Master, which will allow the student to deepen, within the scope of international economics, in all those aspects that have to do with international monetary and financial relations. On the one hand, you will know everything that has to do with the theory of exchange rates, with the exchange rate policy practiced by the countries, and will use appropriate techniques to contrast models.

## 1.3. Recommendations to take this course

There are no prerequisites for taking this course. Now, since it analyzes the determinants of the type of change of currencies, both from the theoretical and empirical point of view, the exchange rate policies and the theory of optimal monetary areas, it would be recommended that the student previously review their knowledge learned in undergraduate studies. Skills in econometric techniques, statistics, and programming are also very adequate. Likewise, for its best use it is recommended to take advantage of the continuous evaluation system, as well such as continued class attendance, active participation in it and systematic work on materials recommended by the subject teacher.

# 2. Learning goals

## 2.1. Competences

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# Resultados de traducción

By passing the subject, the student will be more competent to ... - Ability to know the institutions that affect currency markets and integration processes monetary. - Ability to develop the main existing theories for the determination of the exchange rate. - Ability to apply the main quantitative techniques used to contrast explanatory theories of the exchange rate. - Ability to carry out empirical work by himself that allows him to contrast the theories stated. - Ability to work in groups 1. two. 3. Four. - Ability to analyze and synthesize economic theories and facts. - Acquire skills in the management of economic information, in oral and written communication.

## 2.2. Learning goals

The student, to pass this subject, must demonstrate the following results ... He is knowledgeable about the variables and models that determine exchange rates and is able to apply them to a concrete reality. He is aware of the advantages and disadvantages of managing the exchange rate as a policy instrument economic and is capable of applying it to a concrete reality. He is familiar with the theory of monetary integration and the requirements that are required of an economic zone to that is considered optimal monetary area and is able to apply them by comparison to the euro zone and to States United. He is aware of the different econometric techniques that are used to contrast the models of determination of the exchange rate and is able to apply them to explain the evolution of exchange rates in the real world.

## 2.3. Importance of learning goals

In an increasingly integrated international economic context, the knowledge acquired in this subject they can provide the student with elements of analysis and reflection in the field of exchange rate policy and integration monetary. In recent decades there have been several currency and exchange rate crises in the world, which must be interpreted in the light of currency markets theory. On the other hand, the use of the exchange rate instrument has led some countries to solve pressing problems for their economy, but has produced unintended effects on the long term. Finally, the use of econometric techniques that make it possible to contrast the models for determining exchange rate enables the student to initiate a research process in this specific field. The introduction of Basic notions of programming is also an added value of this subject.

# 3. Assessment (1st and 2nd call)

## 3.1. Assessment tasks (description of tasks, marking system and assessment criteria)

In an increasingly integrated international economic context, the student must demonstrate that he has achieved the expected learning outcomes through the following evaluation activities Subject assessment systems: 1. Continuous evaluation system (recommended). It includes: - Various evaluation tests during the course: resolution and presentation of problems and practical cases; elaboration and Job submission; commentary on readings and / or other interactive activities. They can be done individually and / or in a group. The grade for this activity represents 30% of the final grade for the course. - A test carried out once the classes have concluded, aimed at completing the continuous evaluation of the students. Will see on the theoretical and practical contents of the whole subject. The qualification of this activity represents 70 per 100 of the final grade for the course. 2. A global test carried out in the examination period of each of the two calls of the course (optional for those who have passed the course through continuous assessment and mandatory for those who have not done so), aimed at evaluating the acquisition of knowledge and skills of the subject. Note: It is planned that the evaluation will be carried out in person but if the health circumstances require it, it will be will be done in a blended or online way

Course assessment will be onsite. In the case of a new pandemic wave assessment will become partly online or fully online. It should be noted that in any online assessment task the student performance may be recorded, following the regulations described in: ?https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lopd/gdocencia_reducida.pdf?_

# 4. Methodology, learning tasks, syllabus and resources

## 4.1. Methodological overview

The methodology and organization of the learning process of the subject are based on theoretical and practical classesbiven by the professor, on the analysis, comment and class discussion of books, articles and case studies related to each chapter of the syllabus, on individual and group tasks for presenting and discussing in class and on the personal tutelage of the students. In some clases, materials will be provided directly by the professor but in other the students will have to search for the material in the library or websites.

All lectures and seminars will be imparted on site. In the case of a new health emergency caused by the current pandemic all teaching will be moved online.

## 4.2. Learning tasks

The activities to achieve the designed results are:

In the first session: presentation of the subject, objectives and of the readings that student must do to widen and give foundations to the knowledge. Personal tutelage for the students.

In the rest of the sessions: lecture, orientation of the readings that the students have to do to widen and give foundations to their knowledge and individuals and group tasks to present and debate in class. Individual and group tutorials.

## 4.3. Syllabus

The course will address the following topics:

**Section I. A general overview**

- - The monetary and financial relations
- - Foreign exchange markets and exchange rates
- - Exchange rate regimes and exchange rate policy
- - Evolution of the international monetary system
- - The role of major currencies
- - Peripheral currency and financial crises
- - The European Monetary Union
- - Debt crisis in the euro countries

**Section II. The theory**

- - Efficiency in the market exchange rate. Interest parity conditions
- - Purchasing power parity and the real Exchange rate
- - The equilibrium level of the real Exchange rate
- - Exchange rate and macroeconomic fundamentals
- - Foreign Exchange market microstructure

**Section III. The empirical world**

- - Introduction to programming tools
- - Unit root and real exchange rate
- - PPP and PDI. Cointegration techniques
- - Nonlinear models: TAR, STAR and MS
- - Applications to panel data
- - Measures of persistence
- - Fractional Integration
- - Structural Change

## 4.4. Course planning and calendar

The dates of the lectures, practical session, the presentation of tasks and other activities will be communicated by the professor at the beginning of the course.

| Lectures | | Homework |
| --- | --- | --- |
| Theory | Practical | Student work including tutorials |
| 15 h. | 15 h. | 45 h. |

LIST OF SESSIONS (10 SESSIONS OF 3 HOURS):

1st Session. Presentation of the subject. Definition of objectives, materials, activities and assessment system.

2nd Session. Lecture and practical sessions: A general overview

3rd Session. Lecture and practical sessions: Efficiency in the market exchange rate. Interest parity conditions

4th Session. Lecture and practical sessions: Purchasing power parity and the real Exchange rate

5th Session. Lecture and practical sessions: The equilibrium level of the real Exchange rate

6th Session. Lecture and practical sessions: Introduction to programming tools

7th Session. Lecture and practical sessions: Unit root tests and real exchange rate.

8th Session. Lecture and practical sessions: PPP and UIP: cointegration techniques.

9th Session. Lecture and practical sessions: applications of panel data; structural change

10th Session. Lecture and practical sessions: Non-linear models; fractional integration

## 4.5. Bibliography and recommended resources

KRUGMAN, P., OBSTFELD, M., MELITZ, M.: Economía Internacional, décima edición, Peason, 2016.

SARNO, L., TAYLOR, M.P.: The economics of exchange rates, Cambridge, 2003.

SCHMITT-GROHES, S., M. URIBE and M. WOODFORD, *International Macroeconomics.* An Intermediate Undergraduate Textbook Manuscript (in PDF format) http://www.columbia.edu/~mu2166/UIM/index.html.

Recommended papers.