

# 61344 - Economics Exchange Rates and Monetary Integration

## Syllabus Information

**Academic Year:** 2019/20

**Subject:** 61344 - Economics Exchange Rates and Monetary Integration

**Faculty / School:** 109 -

**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

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

### 1.3.Recommendations to take this course

## 2.Learning goals

### 2.1.Competences

### 2.2.Learning goals

### 2.3.Importance of learning goals

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

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

## 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 classes given 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 classes, 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.

### 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
- - Applications to panel data
- - Measures of persistence
- - Fractional Integration
- - Structural Change
- - Nonlinear models: TAR, STAR and MS

## 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.