

Field

"Macroeconomics, Money, and Financial Markets"

Specialization module		Lecturer	Term
Foundations A [6 CP]	"Money and Financial Markets"	Andreas Schabert	S
Foundations B [6 CP]	"International Macroeconomics"	Andreas Schabert	W
Foundations C [6 CP]	"Public Debt"	Martin Barbie	S
Topics [6 CP]	"Financial Intermediation Theory and Financial Regulation"	Paul Schempp	S/W
Seminar [6 CP]	(compulsory)	Barbie, Schabert, Schempp	S&W

Specialization module

Foundations in Macroeconomics, Money, and Financial Markets A

"Money and Financial Markets"

Summer term

Andreas Schabert

CMR, University of Cologne

- **Topic:** Monetary theory and policy
 - Empirical evidence on monetary policy effects
 - Monetary transmission via financial markets and banks
 - Macroeconomic implications of financial market frictions
 - Unconventional monetary policy

- **Main questions:**
 - What do we know about monetary policy effects?
 - Which role do banks play for the transmission of monetary policy?
 - Should central banks care about financial market frictions?
 - What do we know about monetary policy in crisis times?

- **Course strategy:**

- Analysis of partial equilibrium and dynamic general equilibrium models
- Introducing insights from financial economics and economics of banking
- Understanding monetary transmission beyond aggregate demand effects
- Sketching a "new normal" for monetary policy

- **Main literature:**

- Carl E. Walsh, (2003): *Monetary Theory and Policy*, Second Edition, Cambridge Massachusetts: MIT Press.
- Xavier Freixas and Jean-Charles Rochet (2008): *Microeconomics of Banking*, Second Edition, MIT Press.
- Selection of recent publications in monetary theory

Outline

1. Stylized Facts on Monetary Policy Effects
2. Transaction Frictions and Money Demand
3. Inside Money Creation and Bank Loans
4. A Macroeconomic Framework of Money and Banking
5. Term Structure of Interest Rates
6. Debt Contracts and Financial Acceleration
7. Monetary Policy, Leverage, and Macroeconomic Dynamics
8. Unconventional Monetary Policy
9. Interbank Markets and Monetary Policy

Specialization module

Foundations in Macroeconomics, Money, and Financial Markets B

"International Macroeconomics"

Winter term

Andreas Schabert

CMR, University of Cologne

- **Topic:** International Macroeconomics
 - Empirics of international macroeconomics
 - International financial markets and risk sharing
 - Exchange rate determination and monetary policy
 - Trade balance and current account in (less) developed countries

- **Main questions:**
 - What are the stylized facts in international macroeconomics?
 - Can we explain the dynamics of trade balance and of exchange rates?
 - To which extent are macroeconomic risks internationally shared?
 - How does a foreign debt crisis emerge?

- **Course strategy:**

- Applications of stochastic dynamic general equilibrium models
- Model implications compared to corresponding empirical facts
- Introduction into recent fields of research in international macroeconomics

- **Main literature**

- Stephanie Schmitt-Grohé and Martín Uribe (2017): *Open Economy Macroeconomics*, (<http://www.columbia.edu/~mu2166/book/usg.pdf>), Princeton University Press, forthcoming.
- Kenneth Rogoff and Maurice Obstfeld (1996): *Foundations of International Macroeconomics*. Cambridge, Massachusetts: MIT Press.

Outline

1. Stylized Facts in International Macroeconomics
2. Intertemporal Approach to the Balance of Payments
3. Open Economy Real Business Cycles
4. Macroeconomic Dynamics in Emerging Markets
5. Complete Markets and International Risk Sharing
6. Exchange Rates Dynamics and Monetary Policy
7. New Open Economy Macroeconomics
8. International Lending and Overborrowing
9. Sovereign Default

Specialization module

Foundations in Macroeconomics, Money, and Financial Markets C

"Public Debt"

Summer term

Martin Barbie

CMR, University of Cologne

- **Topic:** Government Debt and Social Security
 - government debt in an intergenerational context
 - analysis of social security system

- **Main Questions**
 - intertemporal allocation consequences of government debt
 - welfare analysis for different generations
 - is there an optimal timing of taxes?
 - similarity between government debt and pay-as-you-go social security

- **Course Strategy:**

- use of OLG model for intergenerational questions
- role of dynamic inefficiency to evaluate welfare consequences
- examine different reasons for failure of Ricardian Equivalence

- **Main Literature**

- Dietmar Wellisch, Finanzwissenschaft III, Staatsverschuldung (2000), Verlag Franz Vahlen

Outline

1. Introduction
2. Diamond OLG Model
3. Theory of Government Debt
4. Ricardian Equivalence
5. Theory of Social Security
6. Optimal taxation

Specialization module

Topics in Macroeconomics, Money and Financial Markets

"Financial Intermediation Theory and Financial Regulation"

Summer or winter term

Paul Schempp
CMR, University of Cologne

- **Topic**

- Banks' role in financial intermediation
- Banking and financial fragility
- History of financial crises
- Bank regulation in theory and practice

- **Main Questions**

- What are the economic functions of banks?
- Why do financial crises occur, and what did we learn from them?
- Why should we regulate banks?
- How are banks regulated, and what are the current debates?

- **Course Strategy**

- Explaining how banks mitigate financial frictions
- Analyzing how banks create new frictions (e.g., fragility)
- Relating models to stylized facts of banking and to financial crises
- Reviewing institutional bank regulation

- **Main Literature**

- Xavier Freixas and Jean-Charles Rochet (2008): *Microeconomics of Banking*, MIT Press.
- Mishkin (2015): *The Economics of Money, Banking, and Financial Markets*, Pearson.
- Hartmann-Wendels, Pfingsten und Weber (2014): *Bankbetriebslehre*, Springer.

Outline

1. Liquidity creation, short-term debt
2. Relationship banking
3. Credit rationing
4. Industrial organization of banking
5. Maturity transformation and fragility
6. Macroeconomic risk and systemic risk
7. History of financial crises
8. Dynamic problems of bank funding
9. Theory of bank regulation
10. Institutional Bank Regulation

Specialization module

"Seminar in Macroeconomics, Money, and Financial Markets"

Summer and winter term

Martin Barbie, Andreas Schabert, and Paul Schempp
CMR, University of Cologne

- **Topics**

- Frontier research papers in financial markets imperfections, financial intermedia-
tion, financial regulation, public debt, monetary, and fiscal policy

- **Procedure & Examination**

- Main presentations of a research paper
- Discussions of other papers
- Written short summaries