

Info No 1: Programme, Literature & Requirements

„Monetary policy becomes, under floating rates, exchange rate policy. The stimulus of expansionary monetary policy to domestic demand is limited by the competition of foreign interest rates for mobile funds“ James Tobin, 1978.

This seminar introduces core and advanced concepts that are central to the understanding of international monetary institutions and financial relations based on 'finance-led-economies'. The financial system can endogenously generate financing instruments, regardless of the underlying real resources backing them and hence cause financial instability. A crucial criterion of finance-led-economies is the credit creation based on the preferences of commercial banks. This is evidenced by the Global Finance Crisis (GFC), the episodic distrust of international financial markets towards the solvency of the member states of the European Monetary Union in 2010-2012. The Covid-19 pandemic also caused a new crisis since March 2020 and currently, the Russian war against Ukraine.

New events pose a new challenge to international economic cooperation, which has proved so persistent over the years and as a consequence of the successful learning processes. There are many examples of this successful international cooperation beyond Bretton Woods, for example the institutional learning processes of the IMF, the European countries, and the central banks. Borio (2011), Brunnermeier (2021), Casanova, Scheubel & Stracca (2021) amongst others, define the international financial system as 'highly elastic'. Therefore, the international creditor and debtor interactions should be the 'hard core' of the debate which also have important implications of international monetary interdependencies.

This seminar outlines diverse array of international monetary and financial institutions, their goals, agenda and proceedings since the World War II. The focus will be also on the benefits and capability to improve international financial cooperation.

Requirements: This course discusses papers, covering the topics of the seminar and its literature. Students complete this course by writing a seminar paper. Based on a topic list (available on **Nov. 7th 2022**, Info No. 2) students do have to present their abstract, motivation, the structure, main chapters and some important conclusions. The presentations will take place from **January 16th and on 23th 2023** (see Info No. 2)

Learning outcomes: The course has two main objectives:

To understand the main theoretical perspectives in research on finance-led-economy to describe the interrelationships between domestic policies and international monetary policies and the challenges to developing reliable evidence for or against them. To develop awareness of the economic monetary interdependencies. To support student's initiate one of their own research projects so they gain more experience in working out a theoretical argument, drawing out testable implications, ascertaining and analysing relevant evidence, and presenting their work both verbally and in written form.

Essential prerequisite for the attendance of this lecture is the successful completion of the courses: Macroeconomics I, Macroeconomics II (International Economics), Theory of Economic Policies (Macroeconomics and Economic Policy).

I strongly recommend that you study the textbooks, for instance, the Introduction provide De Haan, Schoenmaker & Wierdsma (2020) et al., Krugman, Obstfeld, and Melitz (2022) *International Economics*, ibid. chap. 20 and 22, Mishkin (2019, 2018), amongst others. The complete reference is given in the list of reference (pp. 4-8).

Outline and Mandatory Reading

10-10.2022 Introduction: Terminology and Principles: Bank-Based versus Financial-Market-Based, Financial Institutions and Monetary Systems, and Central Banks.

10-17.2022 International Interdependencies in ‘Finance-Led-Economies’

- Bordo and James (2018), James (2012), McKinnon (1993), Tobin (1978)

10-24.2022 Post-Bretton Woods and Consequences of A Non-System for Central Banks

- Bordo and McCauley (2018) Triffin: Dilemma or Myth?, Casanova, Scheubel & Stracca (2021), Gourinchas & Rey (2007), Rey (2018)

10-31.2022 The Role of Key Currency

- Aldasoro, Avdjiev, Borio and Piti Disyatat (2020), McCauley (2019), Bertraut, von Beschwitz, Curcuru (2021), Eichengreen (2011, 2019), Gopinath, Boz, et al. (2020)

11-07.2022 Special Drawing Rights of the IMF in the Light of New Debates

- IMF What We Do <https://www.imf.org/external/pubs/ft/ar/2022/what-we-do/economic-surveillance/>; IMF and capital flows (see link), Pforr, Paper, and Murau (2022) on SDR

11-14.2022 The Endogenous Shock

- Borio, Claudio and Haibin Zhu (2008), Borio, James and Hyun Shin (2014), *ibid.*
- Brunnermeier et al. (2009), Lane (2012)

11-21.2022 Looking Back: The Big Opacity or the Global Financial Crisis (GFC)

- Blinder (2013), Fischer, St. (2016), White, W. (2012)

11-28.2022 GFC and the Missing Monetary Anchor

- Borio (2011), Brunnermeier (2009), Gourinchas, Rey and Govillot (2010), Miranda-Agrippino & Rey (2019)

12-05.2022 The Exogenous Shock change to 12-12.2022

- IMF and Policy Response to Covid-19 (2021), ECB Response to Covid-19 (2020, 2021), Milstein & Wessel (2021) on the Fed Responses, Eichengreen and Gros (2020) Post-Covid-19 and the Euro
- Aldasoro, Ehlers, McGuire, von Peter (2020), Schnabel (2021)

Change to 12-05.0222 (12-12.2022) Drivers of International Capital Flows

- Corsetti & Marin (2020), Habib & Venditti (2019), Horn, Reinhart, Trebesch (2021)

12-19.2022 On your Own Responsibility

- Georgiadis, Müller, & Schumann (2021)

01-02.2023 Online Session: The Economic Consequences of the War.

- Brunnermeier, James, Landau (2022) April, CEPR-Paper

~~01-09.2023~~ Cont. ECB on Sanction (2022), European Commission (2022, div. statements)

01-16.2023 Students present the *Abstract, Motivation, Summary and Conclusion* of their term paper

01-23.2023 Cont.

01-30.2023 Deadline for Paper Submission

Resources of Research Institutes - a List of Selected Items (more on my slides)

BIS Bank for International Settlement (BIS) (2022) *92th Annual Report*. June 26th 2022.
<https://www.bis.org/publ/arpdf/ar2022e1.htm>

BIS Bank for International Settlement (BIS) (2021) *91th Annual Report*. Promoting monetary system and financial stability. June 2021 <https://www.bis.org/publ/arpdf/ar2021e.htm>

ECB European Central Bank (2022) *Finance Stability Review*. May 25th 2022
<https://www.ecb.europa.eu/pub/financial-stability/fsr/html/index.en.html>

ECB European Central Bank (2021) The International Role of the Euro.
<https://www.ecb.europa.eu/pub/ire/html/ecb.ire202106~a058f84c61.en.html>

IMF International Monetary Fund (IMF) (2022) *Global Financial Stability Report*. Washington, DC, October
<https://www.imf.org/en/Publications/GFSR>

IMF International Monetary Fund (IMF) (2022) *World Economic Outlook*. October
<https://www.imf.org/en/Publications/WEO>

IMF International Monetary Funds (2021) IMF and capital flows
<https://www.elibrary.imf.org/page/capital-flows>

IMF International Monetary Funds (2021) The IMF and Policy Response to Covid-19.
<https://www.imf.org/en/Topics/imf-and-covid19>

OECD Organisation for Economic Co-operation and Development (Paris)

- <https://www.oecd.org/economy/monetary/>
- <https://www.oecd.org/investment/capital-flows-workshop.htm>
- Global economic outlook by OECD
<http://www.oecd.org/eco/outlook/economic-outlook/>

Bibliography incl. Textbooks

Akerlof, George A. and Robert J. Shiller (2009) *Animal Spirits. How Human Psychology Drives The Economy, and Why it Matters For Global Capitalism*. Princeton University Press.

Aldasoro, Inaki, Forsten Ehlers, Patrick McGuire and Goetz von Peter (2020) Global Banks' Dollar Funding Needs and Central Bank Swap Lines. <https://www.bis.org/publ/bisbull27.htm>

Aldasoro, Inaki, Stefan Avdjiev, Claudio Borio and Piti Disyatat (2020) Global and domestic financial cycles: Variations on a Theme. BIS Working Papers No. 864. BIS Basel. <https://www.bis.org/publ/work864.pdf>

Avdjiev, Stefan, Robert N. McCauley and Hyun Song Shin (2015) Breaking Free of the Triple Coincidence in International Finance. *BIS Working Papers* No 524, Monetary and Economic Department, Basel. <https://www.bis.org/publ/work524.htm>

Bernanke, Ben S. (2022) *21st Century Monetary Policy. The Federal Reserve from the Great Inflation to Covid-19*. First Edition, New York, NY : W. W. Norton & Company, [2022].

Bernanke, Ben S. (2020) The New Tools of Monetary Policy. *American Economic Review*. Vol. 110, no.4, April 2020, 943-983.

Bernanke, Ben S. (2015) Federal Reserve Policy in an International Context. Brookings Institution Washington, DC, USA. <http://www.imf.org/external/np/res/seminars/2015/arc/pdf/Bernanke.pdf>

Bernanke, Ben (2013) *The Federal Reserve and the Financial Crisis. Lectures by Ben S. Bernanke*. Princeton, NJ (u.a.): Princeton University Press.

Bernoth, Kerstin and Philipp J. König (2016) Implications for the Euro Area of Divergent Monetary Policy Stances by the FED and the ECB. The Role of Financial Spillovers. [https://www.europarl.europa.eu/RegData/etudes/IDAN/2016/569993/IPOL_IDA\(2016\)569993_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2016/569993/IPOL_IDA(2016)569993_EN.pdf)

Bertraut, Carol, Bastian von Beschwitz, Stephanie Curcuru (2021) The International Role of the U.S.Dollar, October 06, 2021 <https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-20211006.html>

Blinder, Alan S. (2013) Financial Crises and Central Bank Independence. *Business Economics*, Vol. 48, No. 3, 163-165.

Borio, Claudio (2020) Monetary Policy Frameworks in EME : Practice a head of Theory. Speech by Claudio Borio Head of the Monetary and Economic Department on the Occasion of the Bank's Annual General Meeting in Basel on 30 June 2019, <https://www.bis.org/speeches/sp190630a.htm>

Borio, Claudio, Harold James and Hyun Shin (2014) The International Monetary and Financial System: A Capital Account Historical Perspective. *BIS Working Papers* no 457, August. <http://www.bis.org/publ/work457.pdf>

Borio, Claudio (2011) Central Banking Post-Crisis: What Compass for Uncharted Waters? BIS Working Paper No 353, September, Monetary and Economic Department. <https://www.bis.org/publ/work353.pdf>

Borio, Claudio and Haibin Zhu (2008) Capital Regulation, Risk-Raking and Monetary Policy: Missing Link in the Transmission Mechanism? BIS Working Papers No 268, Monetary and Economic Department, Basel. <https://www.bis.org/publ/work268.pdf>

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Bordo, Michael and Harold James (2018) The Tradeoffs between Macroeconomics, Political Economy, and International Relations. Hoover Institution, Stanford University CA, Economic Working Paper (WP) 18121, December 2018. https://www.hoover.org/sites/default/files/research/docs/18121_bordo_james1.pdf

Bordo, Michael und Robert N. McCauley (2018) Triffin: Dilemma or Myth? Working Paper 24195 NATIONAL BUREAU OF ECONOMIC RESEARCH 1050 Massachusetts Avenue Cambridge, MA 02138, <http://www.nber.org/papers/w24195>

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Caruana, Jaime (2015) The International Monetary and Financial System – Eliminating the Blind Spot. <https://www.bis.org/speeches/sp150430.pdf>

Casanova, Cathérine, Beatrice Scheubel, and Livio Stracca (2021) Old Risks in New Clothes: The changing Nature of Capital Flows. <https://voxeu.org/article/changing-nature-capital-flows>

Coeuré, Benoît (2016) The Case for Rethinking International Capital Flows. https://www.ecb.europa.eu/press/key/date/2016/html/sp160915_1.en.html

Corsetti, Giancarlo and Emile Marin (2020) The Dollar and International Capital Flows in the Covid-19 Crisis. April 2020. <https://voxeu.org/article/covid-19-crisis-dollar-and-capital-flows>

De Grauwe, Paul (2011) The Governance of A Fragile Eurozone, Working Paper 346. <https://www.ceps.eu/wp-content/uploads/2011/05/WD%20346%20De%20Grauwe%20on%20Eurozone%20Governance.pdf>

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[https://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU\(2020\)652751](https://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU(2020)652751)

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https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html

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<https://www.nber.org/chapters/c0121.pdf>

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