

Module: Open Economy Macroeconomics

Lecturer: Prof. Piotr Misztal

Semester: Winter/Summer

Hours: 15

Type: Consultation/Lecture

Credit: Final papers ECTS: 4

Module 1: Foundations of Open Economy

- What Is an Open Economy?
- Closed vs. Open Economy: Key Differences
- Gains from Trade and Financial Integration
- National Income Accounting in an Open Economy

Module 2: Balance of Payments

- Structure of the Balance of Payments (BoP)
- Current Account, Capital Account, Financial Account
- Net Exports and National Saving
- BoP Surpluses and Deficits: Interpretation and Policy Implications

Module 3: Exchange Rate Basics

- Nominal vs. Real Exchange Rates
- Effective Exchange Rates
- Purchasing Power Parity (PPP)
- The Law of One Price and Real Exchange Rate Misalignment

Module 4: Exchange Rate Systems and Regimes

- Fixed vs. Floating Exchange Rates
- Pegged, Crawling Peg, Managed Float
- Currency Boards and Dollarization
- Pros and Cons of Different Exchange Rate Regimes

Module 5: The Foreign Exchange Market

- FX Market Structure and Participants
- Spot, Forward, Futures, and Swap Markets
- Arbitrage and Interest Rate Parity
- Covered vs. Uncovered Interest Parity (CIP, UIP)

Module 6: Open-Economy Macroeconomic Models

- The Mundell–Fleming Model (IS-LM-BP)
- Policy Effectiveness under Different Exchange Rate Regimes
- Capital Mobility and Sterilized Interventions
- The Dornbusch Overshooting Model
- The Monetary Approach to the Exchange Rate

Module 7: Open Economy and Macroeconomic Policy

- Fiscal Policy in an Open Economy
- Monetary Policy with Open Capital Markets
- The Policy Trilemma (Impossible Trinity)
- Exchange Rate Pass-Through
- Inflation Targeting in an Open Economy