International Monetary Relations

Athens University of Economics and Business • Winter Semester 2026–27

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Lectures Tuesday T108, 9:00–12:30, Room T101

Labs In the computer lab to be announced

Office hours Monday and Tuesday, 13:30–14:30, Derigny Building, 4th floor

Course Objectives

The course aims to provide students with the tools to understand the functioning of modern central banks and the design and transmission of monetary policy, with emphasis on the European Central Bank (ECB) and the US Federal Reserve (Fed). Through hands-on applications, students will estimate and interpret monetary policy reaction functions, such as Taylor rules, using real data, and will develop the ability to read central bank communications and research. The course is particularly suited to students interested in careers at central banks, international financial institutions, or economic policy bodies, or in continuing to graduate studies.

Course Contents

The course starts from the analytical toolkit that central banks themselves use to think about inflation, output and interest rates, and extends it to the open economy. It examines the relationship between inflation and the labour market, the role of expectations, and the institutional architecture and the conventional and unconventional instruments of the ECB and the Fed. The euro area, as a single monetary policy for heterogeneous economies, has a central place in the course. Students work with real data to examine whether the ECB's mandate leads to measurably different policy from that of the Fed.

Learning Outcomes

By the end of the course, students should be able to:

1. Use the New Keynesian model and the core relations of the open economy to interpret monetary policy.
2. Explain the relationship between inflation, the labour market and expectations, and the role of forecasts in central bank decisions.
3. Compare the mandates, governance, strategies and instruments of the Fed and the ECB.
4. Evaluate the economic arguments for and against a monetary union, with particular reference to the euro area.
5. Estimate and interpret a monetary policy reaction function, and assess what such an estimate can and cannot establish.

6. Read and interpret central bank policy statements, speeches and working papers.

Course Topics

The analytical toolkit. The New Keynesian model; optimal monetary policy and the Taylor rule; the Taylor principle.

The open economy. The balance of payments; exchange rates, purchasing power parity and interest parity; the Mundell–Fleming model and exchange rate overshooting; the international transmission of monetary policy and the role of the dollar.

Inflation, the labour market and expectations. The Phillips curve; the post-2021 inflation surge; inflation expectations, central bank forecasts and communication.

The ECB and the Fed. Credibility and independence; mandates, governance and strategy; the recent strategy reviews.

Instruments and transmission. Conventional interest rate policy; quantitative easing, forward guidance and other unconventional tools.

Monetary union. The costs and benefits of a common currency; optimum currency areas; the fragility of an incomplete monetary union and the euro area debt crisis.

Empirical applications. Data sources and the choice of inflation and output gap measures; estimating Taylor rules for the Fed and the ECB; symmetry, the role of the exchange rate and structural breaks. Applications are carried out in Stata.

Assessment

The final grade for the course is on a 0 to 10 scale, with a passing mark of 5.0. To reward continuous engagement and practical application, students can earn up to **2.5 bonus points** during the semester.

Assessment Components

- **Final Written Exam (covering all material):** Graded out of 10.0.
- **Midterm Progress Exam (November):** Up to **+1.0** bonus point.
- **Course Project:** Up to **+1.5** bonus points.

Final Grade Calculation (Winter Semester)

Your final grade at the end of the regular semester is calculated as follows:

$$\text{Final Grade} = \text{Final Exam Score} + \text{Midterm Bonus} + \text{Project Bonus}$$

Important Condition:

- Semester bonus points are added only if the student scores at least **4.0** on the Final Written Exam.

Course Project

The project is an applied empirical exercise, focusing mainly on the estimation and interpretation of monetary policy reaction functions. It builds on the econometric methods covered in the applied sessions.

Specifications and Submission Requirements:

- **Deliverables:** Students are required to submit:
  1. The final written report as a **.pdf** file.
  2. The complete, reproducible code and data for the econometric analysis.
  3. A presentation of the project in class.
  4. Late submissions will not be accepted.
- **Use of Artificial Intelligence (AI):** The project must be the product of the student's own work. Generative AI tools (e.g. ChatGPT) may be used **only** in a supporting role (e.g. to correct code or grammar), and their use must be explicitly declared in a dedicated appendix at the end of the report.

Detailed instructions on the structure of the report, the available data and the exact submission deadline will be announced in class and on eClass.

Course Policies

Use of Electronic Devices in Class

- **Mobile phones:** Mobile phones must be on silent (or switched off) and in bags during class. Using them in class for messages, social media or calls is distracting and is not allowed.
- **Laptops / Tablets:** Allowed **only** for taking notes or for the practical exercises of the course.

Academic Integrity & Plagiarism

- **Zero tolerance for cheating:** Any form of plagiarism or cheating in the project or the exams (midterm and final) results in an immediate grade of zero and referral to the competent bodies of the AUEB Department of Economics, in accordance with the University's internal regulations.

Communication & Office Hours

- **Academic email:** For any communication by email, students must use their official university account (@aueb.gr) and include the course title in the subject line.
- **Office hours:** For questions about the material or the project, students are encouraged to ask during class, to visit the instructor during the official office hours, or to make an appointment.