



Activity Report

Chair of Monetary Economics

September 1, 2013 – August 31, 2014

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1 Preface



The chair of monetary economics was established in September 2007 with the appointment of Professor Fendel. The team is completed by Hanno Stremmel and Christina Strobach who both act as research assistants at the chair of monetary economics. Parallel to its integration into the WHU teaching program in economics, the main focus of the professorship is on research activities. The areas of research are monetary theory and policy as well as international monetary economics and applied macroeconomics.



Chairholder

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2 Teaching



2.1 Courses, Fall Term 2013

Bachelor of Science

Grundlagen der Marktwirtschaft (Principles of the Market Economy)

Professor Ralf Fendel and Professor Michael Frenkel

The course introduced participants to principles of economics and demonstrated the basic functioning of a market economy. The material covered both microeconomic and macroeconomic topics.

2 SWS – 3.0 ECTS

Macroeconomics II

Professor Ralf Fendel

The course built on the course “Macroeconomics I” and provided participants with a broader view on economic issues. Through the in-depth analysis and discussions, participants gained a better understanding of contemporary macroeconomic events. They also learned how to present economic concepts through reasoning, through graphical expositions and through formal analyses.

2 SWS – 3.0 ECTS

Introduction to International Economics

Professor Ralf Fendel

The course explained the basic concepts of monetary and trade linkages between economies. It began with a part on trade theory and trade policy, within which the main theories of international trade as well as the effects of protectionism were discussed. The second part was devoted to the balance of payments and its dependence on exchange rate movements. In the final part the reasons for the exchange rate movements themselves were analyzed.

2 SWS – 3.0 ECTS

European Economic Integration Professor Ralf Fendel

The course covers the main aspects and the current developments of the economics of European integration. The topics of the course are related to the creation of the Single European Market, the European Monetary Union, and Fiscal Policy in the European Union. The focus is on the discussion of the rationale, the content, and the implications of various policies in the context of European integration mainly from an economic perspective.

2 SWS – 3 ECTS

2.2 Courses, Spring Term 2014

Bachelor of Science

Introduction to International Economics Professor Ralf Fendel

The course explained the basic concepts of monetary and trade linkages between economies. It began with a part on trade theory and trade policy, within which the main theories of international trade as well as the effects of protectionism were discussed. The second part was devoted to the balance of payments and its dependence on exchange rate movements. In the final part the reasons for the exchange rate movements themselves were analyzed.

2 SWS – 3.0 ECTS

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2 SWS – 3.0 ECTS

Master of Science

Economics of Financial Markets Professor Ralf Fendel

The course deepened students' understanding of financial markets and its paramount role within market economies. It, therefore, explicitly related the financial market to the macroeconomic environment. It first reviewed the key economic issues of financial markets, its institutions and its links to the real economy. It then examined the behavior of central banks and the design of monetary policy. Furthermore, the issue of financial stability and how it can be safeguarded to avoid financial crises both on a national and an international level was discussed.

2.5 SWS – 5.0 ECTS

2.3 Bachelor Theses

- *“The Economics of Deflation and the Zero Lower Bound”*
by Maximilian van Haag
- *“The Role of Macroprudential Supervision and Regulation”*
by Marius Beckermann
- *“The European Banking Union”*
by Nicolas Baecker
- *“Trade and Development”*
by Maximilian Tries
- *“Parallel Currencies for the Euro Area”*
by Tobias Lieberum
- *“Current Challenges for Monetary Policy”*
by Fiona Dehm
- *“Bank Runs and Banking Supervision”*
by Laurids Aigner

2.4 Master Theses

- *“Bank Runs: Models and Avoidance in Theory and Practice”*
by Clemens Baumgart
- *“The financial crisis in the European economy: A DSGE model-based analysis of diverse impacts in the North and South”*
by Theresa Süsser
- *“Understanding Financial Cycles”*
by Hannah Holzki
- *“Productivity Differentials and Heterogeneous Labor Markets in the EMU: Causes Implications and Possible Solutions”*
by Leonard Benning
- *“The Role of the ECB in the Financial Crisis: An Assessment of the ECB’S Unconventional Monetary Policy”*
by Raphael Mukomilow

2.5 Research Seminar in Economics



In close cooperation with all members of the Economics Group at the WHU a research seminar with the following presentations was organized.

Fall Semester 2013

- **Oliver Guertler** (University of Cologne)
“The Optimality of Heterogeneous Tournaments”
- **Christian Seel** (University of Maastricht)
“The Value of Information in Asymmetric All-Pay Auctions”
- **Dennis Gaertner** (University of Bonn)
“Corporate Leniency in a Dynamic World: The Preemptive Push of an Uncertain Future”

Spring Semester 2014

- **Andreas Niedermayer** (University of Mannheim)
“Foreclosure Auctions, Two-Sided Private Information, and Securitization”
- **Sebastian von Engelhardt** (Friedrich Schiller University Jena)
“Market Power in Internet Search Markets: The Google Case”
- **Armin Schmutzler** (University of Zurich)
“Incomplete Information and Honesty in Relational Contracts”
- **Tobias Wenzel** (Düsseldorf Institute for Competition Economics, Heinrich Heine University)
“Shrouding Add-On Information: An Experimental Study”
- **Thomas S. Lontzek** (University of Zurich)
“The Cost of Delaying Stochastic and Abrupt Climate Change”
- **Heike Karle** (ETH Zurich)
“Loss Aversion and Consumption Choice: Theory and Experimental Evidence”

- **Simon Cowan** (University of Oxford)
“Welfare-Increasing Third-Degree Price Discrimination”
- **Eberhard Feess** (Frankfurt School of Finance)
“Risk, Probability Weighting and Gender in Betting Markets”

2.6 MLB Program

International Trade and Investment

Professor Ralf Fendel

This course introduced the main international aspects which are relevant for firms involved in international business transactions and discussed features of regional economic integration. Important aspects of the global business environment involve trade and international investment. The topics covered in the course explored how economic linkages between countries affect the optimal decision of firms and how they affect domestic economic developments.

3 Research Activities: Publications, Cooperation and Presentations



In its research activities the chair of monetary economics analyzes theoretical and empirical aspects of monetary economics, macroeconomics and international economics with relevance to economic policy. During the period covered by this report Prof. Fendel took a sabbatical in spring 2013. His research activities resulted in several working papers that are currently in the referee process. The following papers have been published or have been accepted in the academic year under consideration in this report.

3.1 Publications

Fendel, R. and Ruelke, J.-C., Deflation: Ursachen, Wirkungen und geldpolitische Optionen, *Das Wirtschaftsstudium (WISU)*, Vol. 43 (8-9/2014), 1048-1053.

3.2 Editorial Service

Prof. Fendel is the Editor of Chief of the Open Access Journal ***Economies***.



3.3 Referee Activities

Throughout the academic year Professor Ralf Fendel served as a referee for the journals

- *Journal of Macroeconomics*
- *Applied Economics*
- *Journal of the European Economic Association*
- *Economic Modelling*
- *Journal of Economics and Statistics (Jahrbücher für Nationalökonomie und Statistik)*
- *Economic Research*

3.4 Presentations

Annual Meeting of *Ausschuss für Außenwirtschaftstheorie und -politik des Vereins für Sozialpolitik*, Augsburg, May 2014.

Faculty Speaker Series, WHU Düsseldorf: „Quo Vadis ECB?“ May 2014.

Keynote Speech at the „Jahrestagung IHK Mainfranken“: „Deutschlands globale Wettbewerbsfähigkeit: Stärken, Schwächen und Potenziale“, Februar 2014.

3.5 Research Activities

Internship at the Dutch Central Bank

(Christina Strobach)

Christina Strobach joined the Dutch Central Bank from November 2013 until February 2014. Her task was to work on a project investigating the formation of inflation expectations in several euro area countries jointly with some staff member from the central bank.

PhD courses Visit

(Christina Strobach)

Jan 13 – Jan 17, 2014: “Monetary Policy: Theory and Practice “

4 Contributions to the Leadership of the WHU



Throughout the academic year covered by this report Professor Ralf Fendel served in different functions contributing to the leadership of the WHU – Otto Beisheim School of Management. He

- was member of the WHU senate;
- was speaker of the economics group;
- was academic director of the Studium Generale” (as of May 2014);
- Member in the search committees for new faculty members: "Kleine und Mittlere Unternehmen";
- acted as WHU liaison professor for the „Studienstiftung des deutschen Volkes“;
- was member of an ad-hoc committee at WHU on data bank acquisition;
- participated in the bachelor students selection process;
- was member of the task group "Lehre an der WHU";
- was coordinator of the econometrics program of the PhD studies.

5 Connections to the Business Community and to Institutions



During the period covered by this report, several activities with cooperations and institutions were continued. Two activities were of particular importance:

- **World Economic Forum (WEF), Geneva, Switzerland**

The cooperation between Professor Ralf Fendel and the WEF began in 2002 and has focused on supporting the WEF in its work on the annually published World Competitiveness Report. This report currently ranks about 150 countries with respect to their current and their growth competitiveness. It is based on officially published data and the results of a survey among business leaders. The chair provides input into collecting data and conducting the survey among German businesses. This cooperation has also led to several publications on the methodology of the World Competitiveness Report, on the performance of Germany compared to other industrial countries, and on the changes in competitiveness of individual European countries.



- **Verein für entwicklungsökonomische Forschungsförderung**

Professor Ralf Fendel took over the chairman position of the “Verein für entwicklungsökonomische Forschungsförderung” which regularly brings together researchers and practitioners from the field of development economics. In doing so, Professor Fendel continued his close cooperation with the Kreditanstalt für Wiederaufbau (KfW), the German development bank. In 2013 Professor Fendel also organized the annual seminar in Montabaur on “Development and Income Disparities”



6 Sustainability



Sustainability is typically at the core of long-term economic considerations. However, it is well known that in economic policy the political economy affects government decisions more than long-term considerations. Hence, economic courses also during the academic year 2012-2013 discuss the long-term effects of economic policy decisions, the sustainability dimension and reasons why such decisions may be in contrast to sustainability requirements.

Sustainability questions are also an important element in the analyses that enter the Global Competitiveness Report of the World Economic Forum with which the team cooperates. The Report examines various dimensions of economic policies and, as one crucial issue, focuses on whether or not the policy stance of the countries included in the sample is consistent with requirements of the long run. Most recently a sustainability-adjusted competitiveness indicator has been developed and published.