



Activity Report

Chair of Monetary Economics

September 1, 2012 – August 31, 2013

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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 Niklas Gadatsch 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 2012

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

Mathematics I Professor Ralf Fendel and Niklas Gadatsch

This course provided students with the basic techniques and methods of calculus which find application in economics and related areas. It covered - on a more advanced level - topics from high school and optimization problems with more than one choice variable. Thus, one aim of the course was to assure that all students - being equipped with very different mathematical backgrounds ex ante - have similar mathematical background afterwards.

2 SWS – 3 ECTS

Master of Science

Macroeconomics 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 SWS – 3.0 ECTS

2.2 Courses, Spring Term 2013

Bachelor of Science

Macroeconomics II S. Ramachandran, PhD

During the sabbatical of Prof. Fendel this course was taught by S. Ramachandran who was a visiting scholar at the WHU for the spring semester 2013. 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
S. Ramachandran, PhD

During the sabbatical of Prof. Fendel this course was taught by S. Ramachandran who was a visiting scholar at the WHU for the spring semester 2013. 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

2.3 Bachelor Theses

“The Economics of Sovereign Debt“ by Konstantin von Büren

“Economic Effects of Free Trade Arrangements“ by Martin Reißer and Tobias Haude

“Central Banking and Financial Stability“ by Robin Schröder

“Strategic Firm Behavior in Macroeconomic Environment of Increasing Public Debt” by Tobias Büchel

“The European Banking Union” by Frederik Krass

2.4 Master Theses

“Banking Regulation in Theory and Practice“ by Bearbeiter: Oliver Mohr

“The Economics of Sovereign Wealth Funds” by Andrea Neuenhofer

“Rethinking Foreign Aid” by Luisa Barth

“Foreign Direct Investment and Economic Development” by Julia Cucarin

“Capital Markets and Economic Growth in Developing Economies” by Katrin Kuhlmann

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 2012

- **Paul de Bijl** (CPB Den Haag)
“What Have We Learned? New Directions for Telecommunications Policy”
- **Hans-Theo Norman** (University of Düsseldorf)
“Tacit versus Explicit Collusion in Oligopoly Experiments”
- **Philipp Wichardt** (University of Rostock)
“Judgement and Behaviour in the Prisoner’s Dilemma: The Impact of Moral and Strategic Considerations”
- **Sebastian Kranz** (University of Bonn)
“Incentive Regulation for Transmission Network Operators”
- **Johannes Münster** (University of Cologne)
“Subjective Evaluation versus Public Information”
- **Alexander Rasch** (University of Cologne)
“What Drives Fraud in a Credence Goods Market? – Evidence from a Field Study”
- **Ulrich Kaiser** (University of Zürich)
“Regulation of Pharmaceutical Prices: Evidence from a Reference Price Reform in Denmark”
- **Sven Rady** (University of Bonn)
“Strongly Symmetric Equilibria in Bandit Games”
- **Martin Peitz** (University of Mannheim)
“Advertising in Media Markets: The Effects of Mergers and Entry”

Spring Semester 2013

- **Karim Sadrieh** (University of Magdeburg)
“Understanding the Emergence of Public Debt”
- **Christian Wey** (Heinrich-Heine-University Düsseldorf)
“The Effects of Remedies on Merger Activity in Oligopoly”
- **Peter Welzel** (University of Augsburg)
“Risk-Taking by the Banking Firm”
- **Peter J. Jost** (WHU – Otto Beisheim School of Management)
“The Ball Is Round, the Game Last 90 Minutes, Everything Else Is Pure Theory”

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.

Supervised Master Thesis in the MLB Program

“An Economic Perspective on the Race-to-the-bottom in International Labour Standards” by Teresa Wittgenstein

“Regulatory Impact Analysis of the Legal Framework of Auctions as Policy for Development of Wind Energy in Brazil” by Paula Lucatelli Nunes

“Corporate Governance in Asia – Financial Crisis and Reform” by Chien-Chung Lin

“Public-Private Partnership: a tool for improving public transportation in developing countries” by Natasha Mina

“A Discussion of the China-ASEAN Free Trade Arrangements” by Thomas Karl Egidius Hocks

“The Global Financial Crisis and Its Impact on Nigeria’s Foreign Trade” by Lyndalin Emekwa

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 in Refereed Journals

Bleich, D., Fendel, R., Rülke, J.-C., Monetary Policy and Stock Market Volatility, *Economics Bulletin* Vol. 33 (3/2013), 1669-1680.

Bleich, D., Bleich, T., Fendel, R., Einige Anmerkungen zum Wesen der Deflation aus Sicht der Finanzmarktstabilität, *Zeitschrift für Wirtschaftspolitik* Vol. 62 (2/2013), 142-158.

3.2 Articles Accepted for Publication in Refereed Journals

Fendel, R. und Rülke, J.-C., Expectations and the Quantity Theory of Money – Evidence from Eastern European Countries, forthcoming in *Applied Economics*.

3.3 Other Publications

Fendel, R., "Editorial: *Economies*: An Open Access Journal for the Field of Development Macroeconomics", *Economies* Vol. 1 (2013), 1-3.

3.4 Editorial Service

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



3.5 Referee Activities

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

- Review of International Economics
- Economic Modelling
- Journal of Macroeconomics
- Pittsburgh Papers on the European Union
- International Economics and Economic Policy

3.6 Presentations

Annual Meeting of *Ausschuss für Außenwirtschaftstheorie und -politik des Vereins für Sozialpolitik*, Münster, May 2013.

3.7 Research Activities

Internship at the European Central Bank (ECB)

(Niklas Gadatsch)

Niklas Gadatsch joined the ECB from June 2013 until September 2013. His task was to develop – in cooperation with other staff – a macro-econometric forecasting model for smaller euro area countries.

Visiting PhD Student at the European University Institute (EUI)

(Niklas Gadatsch)

Niklas Gadatsch joined the department of Economics of the EUI in Florence, Italy from February 2013 until April 2013. During this time, he took part in the department's research activities and attended PhD courses.

Summer School Visits

Niklas Gadatsch

Nov 21 – Nov 23, 2012: EABCN Training School: "Monetary Policy in Open Economies"

Christina Strobach

Jul 29 – Aug 2, 2013: "Applied Macroeconometrics – Programming in MATLAB"

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;
- acted as WHU liaison professor for the „Studienstiftung des deutschen Volkes“;
- was member of an ad-hoc committee at WHU on data bank acquisition;
- was member of hiring committees for professorships in “econometrics and statistics and “intergenerational economic policy”;
- 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 Montabur 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.