UNIT OUTLINE

Introduction

International monetary policy is about public-sector decisions concerning inflation, interest and exchange rates, where such decisions involve more than one country or currency.

The topics covered in this course include national income accounting and the balance of payments, exchange rates and the foreign exchange market, money and interest rates, price levels and exchange rates in the long run, output and the exchange rate in the short run, fixed exchange rates and foreign exchange intervention, the international monetary system, macroeconomic policy and coordination under floating exchange rates, optimum currency areas, the global capital market and the distinctive problems of developing countries.

ECON846 International Monetary Policy provides students with analytical tools that enable them to understand macroeconomic phenomena and policy debates in an international context. Upon completing the course students will be able to interpret the continuous flow of data on the state of the world economy and to participate with confidence in debates about international economic policy.

Prescribed text


We will only be using Parts 3 & 4 of this text, ie, we will not use Parts 1 & 2.
Lecturers

1. Geoff Kingston

Office: E4A 411. Email: geoff.kingston@mq.edu.au

Note: except in emergencies, emails will only be answered during consultation times.

Consultation times: Wednesday 2-5pm

2. Ben Wang

Office: E4A 429 Email: ben.wang@mq.edu.au

Note: except in emergencies, emails will only be answered during consultation times.

Consultation times: Thursday 2-5pm

Lecture/Tutorial Times and Venues

Wednesday: 18-20 hours ie 6pm-9pm (Lecture/Tutorial) E5A 36

Assessment

Class test, in Week 6 (4 April) & in place of lectures that week* 20%

Review essay, due by Wednesday 9 May ** 20%

Final examination*** 60%

Total 100%

*Mid-session examination: each week students will work through a set of tutorial questions on the topics discussed during the lecture of the previous week (see below for topics week by week). Your mid-session examination is 50 minutes plus 10 minutes reading time. It will be based primarily on questions along the lines of the numeric/short answer tutorial questions on lectures presented from weeks 1 to 5 (see below).

**Review essay: write an 1800 word summary and evaluation of any single one of the 4 instant classics on international monetary policy (listed below.) By “review essay” we mean a summary in your own words of the article you have chosen to review, together with an appraisal of it. Choose your own preferred proportions of summary and appraisal. You will receive a slightly higher mark if, other things equal, the article you choose to review is comparatively difficult. Your bibliography need not be extensive. Keep a copy of your essay.

***Final examination: to be held at a time and place to be announced in due course by the administration. It will be based on lectures and tutorials from weeks 1 to 13 (see below), with an emphasis on material presented after the mid-session examination.
LECTURE PROGRAM

Week 1 (Wednesday 29 February)
NATIONAL INCOME ACCOUNTING & THE BALANCE OF PAYMENTS Chapters 13 (pp323-349)

NB: The week 1 lecture will be short. There is no tutorial in Week 1.

Week 2 (Wednesday 7 March)
EXCHANGE RATES & THE FOREIGN EXCHANGE MARKET: AN ASSET APPROACH Chapter 14 (pp350-383)

Week 3 (Wednesday 14 March)
MONEY, INTEREST RATES, AND EXCHANGE RATES Chapter 15 (pp385-413)

Week 4 (Wednesday 21 March)
PRICE LEVELS & THE EXCHANGE RATE IN THE LONG RUN Chapter 16 (pp414-450)

Week 5 (Wednesday 28 March)
OUTPUT & THE EXCHANGE RATE IN THE SHORT RUN Chapter 17 (pp451-492)

Week 6 (Wednesday 4 April)
MIDSESSION EXAMINATION, in place of lectures and tutorials. Mid-session examination value: 20%.

Monday 9 April—Friday 27 April
MIDSESSION BREAK

NB: Anzac Day means no week 7 lecture

Week 8 (Wednesday 2 May)
FIXED EXCHANGE RATES & FOREIGN EXCHANGE INTERVENTION Chapter 18 (pp493-533)
Week 9 (Wednesday 9 May)

INTERNATIONAL MONETARY SYSTEMS: AN HISTORICAL OVERVIEW

Chapter 19 (pp534-586)

NB: Your review essay is due today.

Week 10 (Wednesday 16 May)

OPTIMUM CURRENCY AREAS & THE EUROPEAN EXPERIENCE

Chapter 20 (pp587-615)

Week 11 (Wednesday 23 May)

FINANCIAL GLOBALIZATION: OPPORTUNITY & CRISIS

Chapter 21 (pp616-648)

Week 12 (Wednesday 30 May)

DEVELOPING COUNTRIES: GROWTH, CRISIS, & REFORM

Chapter 22 (pp649-690)

Week 13 (Thursday 2 June)

REVIEW.

NB: tutorials in Week 13 will be brief.

Four instant classics on international monetary policy


3. Farhi, E, P Gourinchas and H Rey, ‘Reforming the International Monetary System’, manuscript, September 2011

Unit web page

Students will be able to access the unit web page by using their normal university Student ID Number and Password on http://learn.mq.edu.au. Further help may also be provided by the Learning and teaching Centre: http://www.mq.edu.au/learningandteachingcentre.

Plagiarism

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the Handbook of Undergraduate Studies or on the web at: http://www.student.mq.edu.au/plagiarism

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

University policy on grading

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardized numerical grade (SNG). On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results. It is important that you realize that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark. For an explanation of the policy see: http://senate.mq.edu.au/rules/Guidelines2003.doc, http://senate.mq.edu.au/rules/detailedguidelines.doc