

# International Monetary Policy

ECON846

Semester 1, 2008

## Course Outline

### Course Description

This course introduces international monetary economics to graduate students. We will study theoretical models and some empirical applications to analyse various issues arising in international macroeconomics. We will also do some policy discussion.

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Location: room 428, E4A  
Office hours: Monday 3-4pm, Tuesday 3-4pm, or by appointment.

**Classes:** X5B 143, Monday 6-9pm.

### Assumed Knowledge

This course assumes a good intermediate knowledge of macroeconomics and microeconomics. Familiarity with elementary calculus and intermediate econometrics would also be helpful.

### Assessment

The mark from this course is determined as follows:

1 Essay	20%
2 Mid-semester exam	20%
3 Final exam	60%
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Total	100%

The mid-semester exam will be held in week 7 for the duration of 1.5 hours. The final exam will be held for the duration of 2 hours. Essay topics will be announced in week 3. Further information will be provided in lectures and on WebCT.

### Tutorials

A 40 minute tutorial will be held each week during the class starting from week 2. Tutorial problems will be posted on WebCT before the tutorial.

## Readings:

There will be no obligatory textbook for this course. However, there are several useful textbook references that will be used in this course:

Blanchard, O. and Fischer, S. (1989), *Lectures on Macroeconomics*, MIT Press.

Blanchard, O. and Sheen, J. (2007), *Macroeconomics*, 6<sup>th</sup> Edition, Pearson.

Champ, B. and Freeman, S. (2000), *Modeling Monetary Economies*, Cambridge University Press

Enders, W. (1995), *Applied Econometric Time Series*, John Wiley.

Krugman, P. and Obstfeld, M. (2003), *International Economics: Theory and Policy*, 6<sup>th</sup> Edition, Addison-Wesley.

Mark, N. (2003), *International Macroeconomics and Finance*, Blackwell.

Obstfeld, M. and Rogoff, K. (1996), *Foundations of International Macroeconomics*, MIT Press.

Romer, D. (2001), *Advanced Macroeconomics*, 2<sup>nd</sup> Edition, McGraw Hill.

Solnik, B. and McLevey, D. (2003), *International Investments*, Pearson.

Uribe, M. 2007, *Lectures in Open Economy Macroeconomics*.

The following topics will be discussed in the course:

1. An overlapping generations model of money.
2. Barter and commodity money.
3. A theory of inflation.
4. Real effects of monetary instability.
5. Monetary policy.
6. International monetary systems.
7. Financial intermediation and central banking.
8. Fiscal deficits, national debt and inflation.
9. National income and balance of payments accounts.
10. Exchange rate and the foreign exchange market. Foreign exchange parity relations.
11. Mundell-Fleming (open economy IS-LM) model. Dornbusch model.
12. Determination of the nominal exchange rate.
13. Balance of payment crises.
14. Optimal currency area.
15. Discussion of international macroeconomics puzzles.

The lecture notes and the detailed references will be provided on the WebCT on a weekly basis.

*Enjoy the course!*