



International Monetary Policy

ECON846

Semester 1, 2009

Course Outline

Course Description

This course introduces international monetary economics to graduate students. We will study theoretical monetary 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: Thursday 3-5pm, or by appointment.

Classes: **W5C 211, Thursday 6-9pm.**

Assumed Knowledge

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

Assessment

The mark from this course is determined as follows:

1 Essay	20%
2 Mid-semester exam	30%
3 Final exam	50%
Total	100%

The mid-semester exam will be held in week 8 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 45 minute tutorial will be held each week during the class starting from week 2. Tutorial problems will be posted on WebCT approximately 1 week before the tutorial.

Readings:

We will use several texts and papers in this course. “Modeling Monetary Economies” by Champ and Freeman will be our major reference in the first part of the course. There is a copy of this book on reserve and several copies should be available at co-op bookshop if you decide to buy it. The rest of the books will be used as occasional references.

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

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*, 6th Edition, Addison-Wesley.

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

Schmitt-Grohe, S. and Uribe (2008), *International Macroeconomics*

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

Topics

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 and national debt
9. National income and balance of payments accounts.
10. Exchange rate and the foreign exchange market. Foreign exchange parity relations.
11. Determination of the nominal exchange rate. Exchange rate overshooting.
12. Mundell-Fleming (open economy IS-LM) model.
13. Balance of payment and financial crises.
14. Optimal currency area.
15. Discussion of international macroeconomics puzzles.

The lecture notes and additional references (such as journal articles) will be provided on WebCT on a weekly basis.

Enjoy the course!