ECON846
International Monetary Policy
S1 Evening 2015

Dept of Economics

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http://unitguides.mq.edu.au/unit_offerings/45310/unit_guide/print
## General Information

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**Credit points**  
4  

**Prerequisites**  
ECON633  

**Corequisites**  

**Co-badged status**  

**Unit description**  
The objective of this unit is to examine selected issues in international monetary economics. We will look at models of money and inflation and analyse the role of monetary and fiscal policies. We will also consider theories of exchange rate determination and models of currency crises. In addition, we will look at the issues of external debt and optimal currency areas. Finally, we will discuss selected macroeconomic puzzles.

## Important Academic Dates  
Information about important academic dates including deadlines for withdrawing from units are available at [http://students.mq.edu.au/student_admin/enrolmentguide/academicdates/](http://students.mq.edu.au/student_admin/enrolmentguide/academicdates/)

## Learning Outcomes

1. Understand the continuous flow of information on the state of the world economy.  
2. Make sense of the data on the world economy.  
3. Participate with confidence in the debates about international economic policy.
Assessment Tasks

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<td>20%</td>
<td>Week 6, in class</td>
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<td>2. Essay</td>
<td>20%</td>
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<td>3. Group presentation</td>
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1. Class Test

Due: **Week 6, in class**

Weighting: **20%**

**Class test:**

Your class test 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.

This Assessment Task relates to the following Learning Outcomes:

- Understand the continuous flow of information on the state of the world economy.
- Make sense of the data on the world economy.

2. Essay

Due: **Week 8, Monday, 5th May**

Weighting: **20%**

**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.

Choose ONE of the following articles as your review essay topic:


Argues that joining the Euro brought short-term gains to Greece but shut off necessary adjustment mechanisms that used to impose necessary disciplines under, for example, the
international gold standard (which collapsed during the 1930s). Level of difficulty: moderate—no econometrics.


Checks out causes & consequences of financial crises, with external balances being one possible cause. Level of difficulty: medium—some econometrics.


Argues that current account imbalances “remain an essential target for policy scrutiny”. Level of difficulty: moderate. Some knowledge of balance-of-payments terminology is required, but there’s no econometrics, & the article is short.


Investigates notions such as the idea that recent departures by the US from its normal policy responses have pushed other countries off course as well. Level of difficulty: moderate to medium. Some conceptual sophistication is assumed, but there’s no econometrics.

The review essay is due on the Monday, 5th of May by 4pm.

YOU NEED TO SUBMIT YOUR ASSIGNMENT TO THE POSTGRADUATE CENTER LOCATED ON LEVEL 2, E4A. FAIL TO SUBMIT ON TIME WILL RECIEVE A 20% REDUCTION ON THEIR MARK PER DAY.

THERE WILL BE FOUR BOXES FOR YOU TO SUBMIT YOUR ASSIGNMENT, EACH FOR A PARTICULAR ARTICLE. PUT YOUR ESSAY INTO THE BOX LABELLED WITH YOUR ARTICLE OF CHOICE. FAIL TO DO SO MAY RESULT IN A DELAY, OR POSSIBLE LOSS OF YOUR ASSIGNMENT.

This Assessment Task relates to the following Learning Outcomes:

- Make sense of the data on the world economy.
- Participate with confidence in the debates about international economic policy.

3. Group presentation

Due: Week 12 and 13

Weighting: 15%
You will be allocated to a group in week 4. You need to choose a topic that interests you in either international economics or monetary policy, and consult with your unit convenor about your choice by week 6 (2nd April). If you fail to do so you will lose all the marks for this assessment. If there is more than one group that wants to present on the same topic, then the topic will be allocated to the group that first emailed their choice to the unit convenor.

Each group will have 20 minutes to present, followed by 5-10 minutes discussion with your fellow students and the lecturer. If you choose a topic that relates to an event, please discuss the background, how the event evolved over time and what were the policies implemented. If you choose a topic that relates to an issue, please introduce the background of the issue. Regardless of your topic, you should discuss potential policy implications and your understanding of the topic. All members of the group are expected to conduct part of the presentation and participate in the discussion.

This assessment accounts for 15% of the total mark. Out of this 15%, 10% will be allocated to the presentation and 5% will be allocated to the class participation, e.g., discussions on others' presentations. To secure this 5%, those who participated in the discussion of others' presentations need to record their name and ID with the lecturer at the end of lecture in both weeks 12 and 13 (2.5% each).

The actual presentation will take place in weeks 12 and 13 in the lecture. However, all groups need to email their presentation slides to the unit convenor by 5pm on Friday in week 11 (22nd of May). Groups that fail to do so will lose 5% (out of 15%) of their mark. The following list contains a sample of topics that may interest you:

- Asian financial crisis
- International monetary policy coordination
- Internationalization of Renminbi
- Monetary policy under crisis
- Carry trade

This Assessment Task relates to the following Learning Outcomes:
- Understand the continuous flow of information on the state of the world economy.
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4. Final Examination

Due: Examination period
Weighting: 45%

Final examination

The final examination will be held during the official examination period from 11 June to 28 June. The examination will be based on lectures and tutorials from weeks 1 to 13, with an emphasis on material presented after the mid-session class test.
This Assessment Task relates to the following Learning Outcomes:

- Understand the continuous flow of information on the state of the world economy.
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- Participate with confidence in the debates about international economic policy.

**Delivery and Resources**

**Required and Recommended Texts and/or Materials**

**Textbook**

The prescribed text for the unit is: Paul Krugman, Maurice Obstfeld and Marc Melitz, International Economics: Theory and Policy, 9th edition, Pearson/Addison-Wesley. We will only be using Parts 3 & 4 of this text, ie, we will not use Parts 1 & 2.

**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](http://learn.mq.edu.au). Further help may also be provided by the Learning and teaching Centre: [http://www.mq.edu.au/learningandteachingcentre](http://www.mq.edu.au/learningandteachingcentre).

**Unit Schedule**

Week 1 (26th Feb) Chapters 13 NATIONAL INCOME ACCOUNTING & THE BALANCE OF PAYMENTS

Note: Today’s lecture will be short. There is no tutorial this week.

Week 2 (5th Mar) Chapter 14 EXCHANGE RATES & THE FOREIGN EXCHANGE MARKET: AN ASSET APPROACH

Week 3 (12nd Mar) 15 MONEY, INTEREST RATES, AND EXCHANGE RATES

Week 4 (19th Mar) Chapter 16 PRICE LEVELS & THE EXCHANGE RATE IN THE LONG RUN

Week 5 (26th Mar) 17 OUTPUT & THE EXCHANGE RATE IN THE SHORT RUN

Week 6 (2nd Apr) Topic: FORECASTING EXCHANGE RATE

MIDSESSION BREAK 06 April— 19 April

Week 7 (23rd Apr) CLASS TEST In place of lectures and tutorials. Class test value: 20%

Week 8 (30th Apr) Chapter 18 FIXED EXCHANGE RATES & FOREIGN EXCHANGE INTERVENTION

Week 9 (7th May) Chapter 19 INTERNATIONAL MONETARY SYSTEMS: AN HISTORICAL OVERVIEW

Week 10 (14th May) Chapter 20 OPTIMUM CURRENCY AREAS & THE EUROPEAN EXPERIENCE
Macquarie University policies and procedures are accessible from Policy Central. Students should be aware of the following policies in particular with regard to Learning and Teaching:


*The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](http://mq.edu.au/policy/docs/) of Policy Central.

**Student Code of Conduct**

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student_conduct/](https://students.mq.edu.au/support/student_conduct/)

**Results**

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in *eStudent*. For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).

**Student Support**

Macquarie University provides a range of support services for students. For details, visit [http://students.mq.edu.au/support/](http://students.mq.edu.au/support/)

**Learning Skills**

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser
Graduate Capabilities

PG - Discipline Knowledge and Skills
Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

• Understand the continuous flow of information on the state of the world economy.
• Make sense of the data on the world economy.

Assessment tasks

• 1. Class Test
• 3. Group presentation
• 4. Final Examination

PG - Critical, Analytical and Integrative Thinking
Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

• Make sense of the data on the world economy.
• Participate with confidence in the debates about international economic policy.

Assessment tasks

• 1. Class Test
• 2. Essay
• 3. Group presentation
• 4. Final Examination

PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

Learning outcomes

• Understand the continuous flow of information on the state of the world economy.
• Make sense of the data on the world economy.
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Assessment tasks

• 1. Class Test
• 2. Essay
• 3. Group presentation
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PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

Assessment task

• 3. Group presentation