ECON846
International Monetary Policy
S1 Evening 2016
Dept of Economics

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General Information

Unit convenor and teaching staff
Unit Convenor
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Contact via 98508500
E4A 432
Tuesdays 3-4pm

Lecturer
Geoff Kingston
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TBA

Credit points
4

Prerequisites
ECON633 or ECON649

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 https://students.mq.edu.au/important-dates

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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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, hand in class**

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:

1. Robert McCauley 2011, Renminbi internationalisation and China’s financial development, BIS Quarterly Review

2. Ronald McKinnon 2014, The unloved world dollar standard: Greenspan-Bernanke bubbles in
the global economy, Stanford Center for International Development, Working paper 497.


You need to submit your assignment in Week 8’s class. Fail to submit on time will receive a 20% reduction on the mark per day.

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 (5th 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, eg: 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 (27th 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.
- Make sense of the data on the world economy.
- Participate with confidence in the debates about international economic policy.

4. Final Examination

Due: Examination period
Weighting: 45%

Final examination

The final examination will be held during the official examination period from 14 June to 1 July. 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.
- Make sense of the data on the world economy.
- 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. Further help may also be provided by the Learning and teaching Centre: http://www.mq.edu.au/learningandteachingcentre.
Unit Schedule

Tentative schedule:

Week 1 (1 Mar) Chapters 13 NATIONAL INCOME ACCOUNTING & THE BALANCE OF PAYMENTS

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

Week 2 (8 Mar) Chapter 14 EXCHANGE RATES & THE FOREIGN EXCHANGE MARKET: AN ASSET APPROACH

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

Week 4 (22 Mar) Chapter 16 PRICE LEVELS & THE EXCHANGE RATE IN THE LONG RUN

Week 5 (30 Mar) Chapter 17 OUTPUT & THE EXCHANGE RATE IN THE SHORT RUN

Week 6 (5 Apr) CLASS TEST In place of lectures and tutorials. Class test value: 20%.

MIDSESSION BREAK 11 April—25 April

Week 7 (26 Apr) Topic: FORECASTING EXCHANGE RATE

Week 8 (3 May) Chapter 18 FIXED EXCHANGE RATES & FOREIGN EXCHANGE INTERVENTION

Week 9 (10 May) Chapter 19 INTERNATIONAL MONETARY SYSTEMS: AN HISTORICAL OVERVIEW

Week 10 (17 May) Chapter 20 OPTIMUM CURRENCY AREAS & THE EUROPEAN EXPERIENCE

Week 11 (24 May) Chapter 21 & 22 FINANCIAL GLOBALIZATION: OPPORTUNITY & CRISIS

Week 12 (31 May) GROUP PRESENTATION 1

Week 13 (7 Jun) GROUP PRESENTATION 2 & REVIEW

Policies and Procedures

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:

Academic Honesty Policy http://mq.edu.au/policy/docs/academic_honesty/policy.html


In addition, a number of other policies can be found in the Learning and Teaching Category 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.

**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**

**Student Enquiry Service**

For all student enquiries, visit Student Connect at ask.mq.edu.au

**Equity Support**

Students with a disability are encouraged to contact the Disability Service who can provide appropriate help with any issues that arise during their studies.

**IT Help**

For help with University computer systems and technology, visit [http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/)

When using the University’s IT, you must adhere to the Acceptable Use of IT Resources Policy.
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.
- Participate with confidence in the debates about international economic policy.

**Assessment tasks**

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

**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