

International Monetary Policy

1 Introduction to the course ¹

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Personal Information

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Course presentation

- ▶ This course is on *International Monetary Policy*. We will investigate the role of money and how central banks intervene to reach their goals, studying both a closed and an open economy
- ▶ More precisely, the course is on *Central Banking*. This is not a course on Banking, Monetary Theories or International Economics
- ▶ By the end of the course you should have a clear idea of how monetary policy is conducted around the world, and how alternative exchange rate regimes affect the effectiveness of monetary policy

Course presentation

- ▶ No particular knowledge of Macroeconomics is required for this course. Math in this course will be basic algebra
- ▶ We will give a math review shortly on the basic things that you need know

Course presentation

- ▶ The course is based on
 - ▶ (M) F.Mishkin, The Economics of Money, Banking and Financial Markets, Pearson International Edition, eighth edition
 - ▶ (KO) P. Krugman and M. Obstfeld, International Economics, Theory and Policy, Pearson International Edition, seventh edition

The course is quite intense. For each topic I will indicate the relevant chapters from the books. You are strongly advised to read the material before coming to the lectures

Exercises

- ▶ In the lecture notes you will run into exercises to do during lectures. This is just to make sure that you are keeping up with the key reasoning of the lectures
- ▶ In addition to lectures we will have weekly classes. The goal is to put into practice what we will learn during lectures. In this regard, weekly exercises will be assigned. They will not be part of the final grade, but are extremely useful for your understanding

Exam arrangements

- ▶ We will have a mid-term exam after week 2 of the course, covering the material seen in the first 2 weeks. This exam will contribute to 50 % of the final grade
- ▶ The final exam, held at the end of the course, will cover the remaining topics and will contribute to 50 % of the final grade. It will cover the entire program of the course, not only the second part
- ▶ Exams are written. They will consist of multiple choice questions, true and false questions and questions in the form of small essays.

The plan for the course

- ▶ 1 Introduction to the course
- ▶ 2 Preliminary concepts
- ▶ 3 Central Banking - Goals
- ▶ ...

The plan for the course

- ▶ 4 Money Supply
- ▶ 5 Interest Rate
- ▶ 6 Central Banking - Tactics and Strategies
- ▶ 7 - 9 IS-LM model
- ▶ ...

The plan for the course

- ▶ 10 Open Macro - Exchange Rates
- ▶ 11 Balance of Payments and National Accounting
- ▶ 12 Fixed vs. Flexible Exchange Rate
- ▶ 13 IS-LM Model in Open Economy

Motivational preliminaries

- ▶ As a motivational issues, have a look at a report by the People's Bank of China on how they conduct monetary policy
- ▶ (link to report)
- ▶ Have a look at least at the index of the report. The goal of this course is to actually understand what it is talking about