

# International Monetary Policy

## 1 Introduction to the course <sup>1</sup>

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<sup>1</sup>Course prepared for the Shanghai Normal University, College of Finance, April 2012

# Personal Information

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# Course presentation

- ▶ This is a course in *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 good understanding of how monetary policy is run, 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

# 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 very intensive. For each topic I will indicate the relevant chapters from the books. You are strongly advised to read the material before coming to lectures. We will have question and answer sections after each lecture

# Exercises

- ▶ In the lecture notes we will run into exercises, which are meant to be done during the lecture. This is just to make sure that you are keeping up with the material
- ▶ In addition to lectures we will have weekly classes. The goal is to put into practice what we learn during lectures. Weekly exercises will be assigned. They are not part of the final grade, but are extremely useful for your understanding
- ▶ Lecture notes have gaps to fill in..

# Exam arrangements

- ▶ We will hold a mid-term exam after week 2 of the course, covering the material seen in the first 2 weeks. This exam contributes 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 covers the program of the whole course, not just the second part
- ▶ Exams are written. They 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
- ▶ ...

# The plan for the course

- ▶ 7 Open Macro - Exchange Rates
- ▶ 8 Balance of Payments and National Accounting
- ▶ 9 Fixed vs. Flexible Exchange Rate

# The plan for the course

- ▶ 10 - 12 IS-LM Model in Closed Economy
- ▶ 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