

International Money and Banking: Introduction

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What Is This Module About?

- What's "International Money and Banking" about?
 - ▶ **Money:** What is it and how is it created?
 - ▶ **Banks:** How do they work? What role do they play in the economy?
 - ▶ **Central Banks:** What are they? How do they affect interest rates and influence the economy? How should they act?
 - ▶ **Banking Crises and Regulation:** Why do banking crises happen? Why do banks need to be regulated?
 - ▶ **Financial Markets:** What are bond markets? How do they behave and how do they affect the economy?
 - ▶ **Exchange Rate Regimes:** How does the choice of exchange rate regime affect capital flows and interest rates?
- The class material will relate to lots of topical issues, such as developments in the banking sector and the influence on the world economy and financial markets of central banks such as the ECB and the Federal Reserve.

A Quick Guided Tour: Five Sections

1 Money, Banks and Central Banks

- ▶ What money is, how banks operate and why they are important, what central banks are and how they create money, the relationship between money and inflation, how central banks control short-term interest rates.

2 Financial Crises and Banking Regulation

- ▶ How banking crises occur, policies to prevent and deal with crises, current issues in banking regulation and crisis prevention.

3 How Central Banks Influence the Economy

- ▶ The term structure of interest rates, default risk and collateral, effects of real interest rates on consumption and investment, liquidity traps.

4 The Limits to Monetary Policy and Central Bank Strategy

- ▶ Inflation and the Phillips curve; central bank institutions; goals and strategies; rules for setting interest rates.

5 Exchange Rate Regimes and the Euro

- ▶ The trade-off between control of interest rates and exchange rates, optimal currency areas, the euro crisis.

About Me

- What are my qualifications for teaching the module?
- I spent 11 years working as an economist in central banks:
 - ▶ 1996-2002 at the Federal Reserve Board in Washington DC.
 - ▶ 2002-2007 at the Central Bank of Ireland, regularly involved with the European Central Bank in Frankfurt.
- In recent years, I have been a member of an expert panel of advisers to the European Parliament's Committee on Economic and Monetary Affairs in relation to its Monetary Dialogue with the ECB (its quarterly meetings with the ECB President.) You can find the briefing papers I write for the committee on my website.
- I give presentations and write papers (and sometimes blog posts) on issues related to central banks and the banking sector. You can find this material on my website. I will use some of my own articles and presentations in the class as we go along.

My Approach to Teaching this Module

- There is no set textbook. The textbooks on this topic aren't great and they don't have nearly enough up-to-date examples.
- So lecture notes like these will be the main course material. They will contain lots of examples and up-to-date charts connecting the material with current events.
- The lecture notes will be available before lectures on the class website.
- Go to www.karlwhelan.com and click on Teaching.
- Often, the lecture notes will have more detail than I will have to time to cover in class, so I will summarise the most relevant issues in the lectures and you can study the additional details at home.
- There will be lots of additional material to study: Papers, speeches and other sources of information about how banks and central banks work. These materials will all be available on the class website.
- There is a Blackboard site for the class but it just links you to my personal site, so you might as well go straight there.

How the Module Will Work: Assessment

- 30% for a one-hour multiple choice mid-term that will take place on March 6 (Week 7) at 7.30PM in the Blackrock Exam Centre.
 - ▶ The test will have 50 questions. Last year's test will be made available.
 - ▶ There will be no negative marking, i.e. I won't deduct points for wrong answers.
- 70% for final exam. This will have two equally-weighted sections:
 - ▶ Section A: The first section will feature a choice of different short questions where you are asked to briefly explain an important aspect of the course. You will be asked to pick 6 questions from 10.
 - ▶ Section B: A mixture of discussion questions and technical questions focused on models. You will be asked to pick two questions from a list of four or five.
- Final grade: This will be calculated as a weighted average of the **grade point values** of the two exams. The School of Economics uses its own grade-scale for mapping exam scores into letter grades.

Grade Calculation Points

Module Grades	Grade Point (GP) Values
A+	4.2
A	4.0
A-	3.8
B+	3.6
B	3.4
B-	3.2
C+	3.0
C	2.8
C-	2.6
D+	2.4
D	2.2
D-	2.0
E	1.6
F	1.0
G	0.4
NG	0.0

School of Economics Gradescale

GRADE	LOWER	UPPER
A+	90.00	100
A	80.00	89.99
A-	70.00	79.99
B+	66.67	69.99
B	63.33	66.66
B-	60.00	63.32
C+	56.67	59.99
C	53.33	56.66
C-	50.00	53.32
D+	46.67	49.99
D	43.33	46.66
D-	40.00	43.32
E+	36.67	39.99
E	33.33	36.66
E-	30.00	33.32
F+	26.67	29.99
F (FM)	23.33	26.66
F-	20.00	23.32
G+	16.67	19.99
G	13.33	16.66
G-	0.02	13.32
NG	-	0.01

Studying for this Module

- I will provide you with last year's MCQ midterm to illustrate the type of test you will be taking. Some questions may be repeated but much of the material will be different this year.
- All the questions on the test will be based on materials from the lecture notes.
- I will provide a list of potential questions for the final exam as we go along. The questions on the final exam **will come from this list** so there will be no surprises on the final exam.
- Ideally, I would have the resources to run tutorial classes to allow people to discuss the questions and help prepare for the final exam. However, at present, the School does not have the resources to provide such classes.
- An alternative is to organise in groups yourself to discuss the questions.
- I have no problem with groups working together on answers but be wary of simply copying answers from others—often I get the same really bad answer to a question from 20 students and that's not great.
- I'm happy to meet people to discuss the class material but I will not grade sample answers.

About the Material and Readings on the Website

- As the course goes on, a lot of material is listed under the “Source Material and Readings” part of the website. (The first few weeks of the course generate more than the other parts).
- Every so often, I get questions from students “Am I supposed to do all this reading?” and “Am I supposed to read all of this before class?”
- The answer in both cases is No. You are not expected to read anything before coming to class. And expectations for how much students should read are modest enough: Previous experience with student feedback and grade distributions suggests students do not find the workload excessive.
- Some of the material is on the website just to show the source material for the notes e.g. quotes from books, papers or facts and figures. This gives the student the opportunity to delve deeper into a topic should they wish.
- Other items are things that people can read to learn more about a topic and hopefully improve the answers to their final exam questions.
- So I am not expecting people to do hours and hours of reading of background material every week.

Contacting Me

- Office Hours: 12pm to 1pm on Monday (i.e. after class). My office is Room G211 in the Newman Building.
- Email (karl.whelan@ucd.ie) is the best way to arrange to meet me if you want to have a meeting at a different time.
- Feel free to call by if you want to talk about problems you may have with the material. If I'm there and I'm free, I'll be happy to talk.
- I do my best to reply to email with questions about the class as quickly as possible. However, if I don't respond, it's probably because I'm very busy – as Head of the School of Economics, I get an enormous amount of email. Don't worry about contacting me again by email or coming up after class and reminding me that I didn't get back to you the first time.
- From experience, I find that a large amount of the questions I get asked are easily answered by consulting the class webpage. Do us both a favour and check the webpage first before asking me a routine question (When's the midterm? Will there be negative marking? That sort of thing.)

Class Rules and Feedback

- **Questions:** It's a big class, which makes it hard to be interactive during lectures but don't be afraid to put your hand up to ask a question. I will happily repeat the question for the class and attempt to answer it.
- **Holidays:** Taking holidays with friends or family or other personal decisions are not sufficient reason to be excused from turning up from the midterm.
- **Computers/Phones:** The vast majority of you don't need to have a computer open in class. If you must use a computer, please sit at the very back of the lecture hall. Otherwise, keep them closed. No need for phones either.
- **Yap:** If you want to chat with your mates, there's lots of space outside the lecture hall with coffee shops etc. Low-level mumbling can be heard by me and other students and is irritating to all. I will ask you to stop or leave.
- **Feedback on Notes:** If you find mistakes or typos in the notes, or just find them confusing, let me know. You will be helping me and future students.
- **Feedback on Module:** Near the end of the module, you will get the chance to fill out an online feedback form. Completion rates for these tend to be low. I strongly encourage you to fill these out and have your say.