

International Monetary Economics: Introduction

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What's This Module About?

- What's "International Monetary Economics" about?
- Monetary refers to monetary policy, carried out by central banks.
- I spent 11 years working in central banks:
 - ▶ 1996-2002 at the Federal Reserve Board in Washington DC.
 - ▶ 2002-2007 at the Irish central bank, regularly involved with the European Central Bank in Frankfurt.
- Currently, I act as an advisor to the European Parliament in relation to their regular meetings with the President of the European Central Bank (currently Jean Claude Trichet, soon to be replaced by Mario Draghi).
- On the grounds that you should teach what you know, this course will mainly focus on how the international central banks, such as the Fed and ECB, carry out monetary policy and its effects on the economy.
- This will bring us into lots topical issues, such as the global financial crises and the role of the ECB in the current Euro-area debt crisis.

A Quick Guided Tour

The course will have four parts to it:

① Banks, Financial Intermediation and Central Banks

- ▶ How banks operate; why they are important; how banks interact with central banks; money creation; how central banks control short-term interest rates.

② Financial Instability

- ▶ How banking crises come about; understanding the recent international financial crisis; policies to prevent and deal with crises; current debates about regulation of banking.

③ How Central Banks Affect the Economy

- ▶ The term structure of interest rates; default risk and collateral; asset prices; 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.

How the Module Will Work

- Lecture notes like these will be the main course material. They will be available before class (but sometimes only just before the class).
- There will be lots of additional readings such as speeches and papers.
- Lecture notes and additional readings will be available at www.karlwhelan.com. Click on Teaching.
- 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.
- There is no set textbook. If you really want a textbook, you could buy either *The Economics of Money, Banking, and Financial Markets* by Frederic Mishkin or *Money, Banking and Financial Markets* by Stephen Cecchetti. But I cover topics quite differently, so they are at best a useful backup.
- Assessment: 30% for multiple choice mid-term (time and location to be announced later), 70% for final exam.
- Warning: Mostly, the course is not too technical but numerical examples are used a lot. There are also occasional forays into algebra.

Lots of Great Sources on the Internet

- Ideally, a module like this will help you understand and have an interest in the issues covered after the final exam is over.
- Two things I would like to emphasise are
 - ① How to obtain data sources over the internet.
 - ② Where to find useful commentary on macroeconomic and financial issues.
- I will provide a page on class website that will provide links to useful data sources and also to good websites featuring journalists and economists discussing the latest issues related to central banking, financial markets and macroeconomics.
- Websites like these can be useful sources for preparing good answers on the final exam.
- If I discuss data sources or websites in class, they are legitimate sources for potential questions on the midterm.

Contacting Me and Feedback

- I don't have set office hours. Email (karl.whelan@ucd.ie) is the best way to arrange to meet me.
- My office is Room D216 in the Newman Building.
- 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.
- After class on Monday is not a good time for me to talk as I am due elsewhere shortly afterwards. After class on Wednesday is a good time.
- 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.
- 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.

Questions and Class Rules

- I do my best to reply to emails as quickly as possible. However, if I don't respond, it's probably because I'm very busy – don't worry about contacting me again and reminding me that I didn't get back to you the first time.
- However, 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.
- Don't be afraid to put your hand up to ask questions.
- 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.
- You don't need to have a computer open to follow what I'm saying. Unless you have a good reason (and can explain it to me) I expect all laptops to be closed when I start to speak.
- Taking holidays with your friends or other personal decisions are not sufficient reason to be excused from turning up from the midterm, so don't ask.