

International Monetary Economics, EC6012

Course Outline

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1 Introduction

Monetary economics concerns the relationship between real and nominal variables. International monetary economics considers these relationships in the context of an open economy, that is, with imports and exports between countries incorporated into the models. The aim of this course is to develop simple models to evaluate the effects of policies on inflation, employment, real interest rates, and production from a particular modeling philosophy, structuralist macroeconomics, which we'll spend some time explaining, codifying, and exploring in the course of the module.

1.1 Learning Outcomes

At the end of this module, students should be able to

- describe the development of major international institutions like the World Bank, the IMF, and the EU;
- give a brief account of some simple stock-flow consistent models used in evaluating monetary policy;
- describe the evolution of the neoclassical and structuralist macroeconomic modelling paradigms since Keynes' death;
- build and simulate simple macroeconomic models of the open economy using **Eviews**.

1.2 Contact Details

My office is AM068b (at the moment), office hours are 9-11 on Fridays or by appointment. Make one by visiting www.stephenkinsella.net and filling out the form. All lecture notes, podcasts, data sets, links to relevant policy documents, links to previous course blogs, the coursepack, and more are available at www.stephenkinsella.net/teaching. Contact me by email at stephen.kinsella@ul.ie. Contact Michelle by email at michelle.ahern@ul.ie.

I have a strict email policy—do *not* send me text messages. They won't be answered. Here is an ideal message:

Subject: Something.

Hi Stephen,

This email is about...,

Regards,

Joe Bloggs

Just follow this simple convention and we'll get along fine.

1.3 Textbook & Readings

Students are urged to buy Godley and Lavoie's *Monetary Economics An Integrated Approach to Credit, Money, Income, Production and Wealth*, Palgrave-Macmillan, 2006. Ten copies are ordered for the bookshop, and several copies are on reserve in the library at 332.4/GOD. There should be one copy per group.

I also recommend you buy Taylor (2004), *Restructuring Macroeconomics*.

Basic reading for the first two lectures will be taken from Leddin and Walsh (2003), *Macroeconomy of the Eurozone*, available in the library at 339.09417/LED.

Links to the publisher's sites for these books are up on the course page.

Other readings will be packaged for you in a course pack. You can download this from the site and print out the articles for yourselves as required.

1.4 Assessment

Assessment will consist of an end of term exam worth 50%, a group presentation worth 20%, and 2 exercises worth 10% each. A final 10% will be given for group Blogs, of which more in the next section. The exam is an essential part of the assessment, and *each* part of the course assessment must be passed to get a grade for this module.

The presentation will be on one of the models taught in the class or one of the readings assigned. The group will be expected to present the fundamentals of the model to the class. Marks will be given for accuracy of material, structure of presentation, relevance of material, use of graphic displays and general preparedness. Feedback will be given in the format I show in table 1.

With respect to repeats, a student would normally carry the course work marks to be incorporated into the overall repeat exam grade.

Criteria	Marks (1-5, 5 =very good)	Comments
Opening		
Clarity of Argument		
Literature Review		
Interpretation		
Fluency		
Use of Audio-Visual Aids		
Discussion Skills		

Table 1: Grading of Presentations

Table 2 shows the grading structure I'll employ when giving you a final grade. You can check the site for last year's grade distribution.

Grade	QCA	Degree	Bands
A1	4	1.1	75+
A2	3.6	1.1	70-74
B1	3.2	2.1	65-69
B2	3	2.1	60-64
B3	2.8	2.2	55-59
C1	2.6	Pass	50-54
C2	2.4	Pass	45-49
C3	2	Pass	40-44
D1	1.6	Com Fail	35-39
D2	1.2	Com Fail	30-34
F	0	Fail	<30

Table 2: Grade Distribution.

1.5 Groups & Blogs

You have been randomly allocated a group. I expect you to set up a group blog on www.blogger.com, emailing me the URL of the blog after the first lecture. Your first post should be your names and student numbers. Each group should bring at least one laptop to class. Rotate the group roles of reporter, researcher, and presenter each class. I'll explain in detail about these roles in class. There will be wireless access in class, and this will be important for lectures because we won't be doing a lot of 'chalk and talk'-type teaching. The basic idea is that each group will be working out exercises I give in class, and blogging their answers, which I can grade at my leisure.

2 Lecture Outline & Layout

This is a Master's class, so students are expected to have read the lecture material before the lecture. Slides used during the lectures will be provided during the lectures and online at <http://www.stephenkinsella.net>.

There will also be a podcast of the lecture available afterward on the site.

The layout for the course is as follows

Week	1	2	3	4	5
	Lecture	Lecture	Lecture	Lecture	Lecture
			Tutorial	Tutorial	Tutorial
Week	6	7	8	9	10
	Lecture	Lecture	Lecture	Lecture	Lecture
	Tutorial	Tutorial	Tutorial	Presentation	Presentation
	Sample Exam out				
Week	11	12	13	14	
	Lecture	Lecture		Exam	
	Presentation		Recap		

Here, in detail, is what we will study, and what I expect you to have read *before* each class begins.

Lecture 1 Introduction to the course. Basic course setup, group setup, blog setup, philosophy of stock-flow consistent modeling. Reading: none.

Lecture 2 Review of Intermediate macroeconomic concepts with a game. Reading: Leddin and Walsh (2003, Chapters 2 and 3).

Lecture 3 Stock Flow consistent macroeconomic modeling: an introduction, and comparison to the macroeconomics you thought you knew. Reading: (Godley and Lavoie, 2006, Chapter 1), Lavoie, (2006) *A Primer on Endogenous Credit Money*, in coursepack. Tobin, (1982) *Nobel Lecture*, in coursepack, Taylor, (2004), Chapter 1.

Lecture 4 The real world: a description. Reading: Edwards, *Open Market Operations in the 1990s*, in coursepack, and ECB, (2004) *The Monetary Policy of the European Central Bank*, in coursepack.

Tutorial 1 Introduction to Eviews. Working with data in Eviews.

Lecture 5 A first SAM. Reading: (Godley and Lavoie, 2006, Chapters 2 and 3), Taylor (2004) Chapter 1.

Tutorial 2 Descriptive statistics and simple simulations with Eviews.

Lecture 6 Working with your first SAM. Multiplier effects, fiscal and monetary policies. Reading: Godley and Lavoie (2006, Chapter 3), Dos Santos and Zezza, *A Simplified Stock-Flow Consistent Post-Keynesian Growth Model*, in the coursepack.

Tutorial 3 Simple ‘hat’ calculus; solving simple SAMs with pencil and paper. Steady state solutions and perturbations. Linearisation analysis.

Lecture 7 A model of Government Money with Portfolio Choice. Readings: Godley and Lavoie (2006, Chapter 4), Godley and Lavoie 2007, forthcoming. *Fiscal Policy in a stock-flow consistent model*, in coursepack.

Tutorial 4 Working with model PC in Eviews.

Lecture 8 Long Term loans, capital gains, and liquidity preference. Reading: Godley and Lavoie (2006, Chapter 5), Taylor, 2004, Chapters 2 and 3.

Tutorial 5 Working with model LP in Eviews.

Lecture 9 Introducing the open economy. Reading: Godley and Lavoie (2006, Chapter 5)

Tutorial 6 Working with model OPEN in Eviews.

Lecture 10 Reflux Mechanisms in the open economy. Reading: Lavoie, *Reflux Mechanisms in the open economy*, in coursepack.

Tutorial 7 Presentations

Lecture 11 Advanced Models of the Open Economy. Reading: Godley and Lavoie (2006, Chapter 12)

Tutorial 8 Presentations

Lecture 12 A stock flow consistent model of growth. Reading: Godley and Lavoie (2006, Chapter 11)

Tutorial 9 Presentations

References

Wynne Godley and Marc Lavoie. *Monetary Economics An Integrated Approach to Credit, Money, Income, Production and Wealth*. Palgrave-Macmillan, 2006. URL <http://www.palgrave.com/products/Catalogue.aspx?is=0230500552>.

Anthony J. Leddin and Brendan M. Walsh. *The Macroeconomy of the Eurozone: An Irish Perspective*. Gill and Macmillan, 1st edition, 2003. URL <http://www.gillmacmillan.ie/Ecom/Library3.nsf/CatalogByCategory/DA55B901FD6459BB80256C1C003FEE1F?OpenDocument>.

Lance Taylor. *Reconstructing Macroeconomics*. Harvard University Press, 2004. URL <http://www.hup.harvard.edu/catalog/TAYREC.html>.