

## IFM 2014 Reading List

The list below is split into two categories: (1) essential reading, (2) further reading. More advanced or technically-challenging material is highlighted using the \* superscript. All the papers will be made available on Moodle.

### Lecture 1 – Introduction to International Finance and Money

#### ***Essential reading:***

Lecture slides

### Lecture 2 – Purchasing Power Parity (PPP)

#### ***Essential reading:***

MacDonald, R. *Economics of Exchange Rates: Theories and Evidence*, Chapters 2 and 3.

Taylor, A.M. and Taylor, M.P. 2004. The Purchasing Power Parity Debate. *Journal of Economic Perspectives*, vol. 18, pp. 135-158.

#### ***Further reading:***

Rogoff, K. 1996. The purchasing power parity puzzle. *Journal of Economic Literature*, 34(2), pp. 647-68.

The following textbooks also provide good discussions of PPP pitched at a lower level:

Pilbeam, K. *International Finance*, Chapter 6

Copeland, L. *Exchange Rates and International Finance*, Chapter 2

### Lectures 3 and 4 – Monetary Models of Exchange Rates

#### ***Essential reading:***

Uncovered interest parity:

Pilbeam Ch. 7.2 or Copeland Ch. 3.1

Monetary models:

MacDonald Ch. 4.1 and 5.2 (except 5.2.2) or Pilbeam Ch. 7.3-7.13

#### ***Further reading:***

Rogoff, K. 2001. Dornbusch's overshooting model after 25 years. *IMF Staff Papers* 49, pp. 1-34.

### Lecture 5 – Empirical evidence on monetary models of exchange rates

#### ***Essential reading:***

MacDonald Ch. 6 or Pilbeam Ch. 9.6 to 9.10

Rogoff, K.. 2001. The failure of empirical exchange rate models: no longer new but still true. *Economic Policy* web essay 1, no. 1 (6 pages).

#### ***Further reading:***

\*Meese, R. and Rogoff, K. 1983. Empirical exchange rate models of the 1970s: do they fit out of sample? *Journal of International Economics* 14, pp. 3-24.\*

Frankel, J.A. 1982. The mystery of the multiplying marks: A modification of the monetary model. *Review of Economics and Statistics* 64(3), pp. 515-19.

Rogoff, K. 2002. Why are G-3 exchange rates so fickle? *Finance and Development* 39(2).

## **Lecture 6 – Exchange rate risk and equilibrium concepts of exchange rates**

### ***Essential reading:***

Pilbeam Box 7.2 (pp. 154-55) and Ch. 8.2 and 8.3

MacDonald Ch. 9 (except 9.6.4) or Driver, R.L. and Westaway, P.F. 2004. Concepts of equilibrium exchange rates. Bank of England Working Paper no. 248.

MacDonald discusses the real effective exchange rate in Ch. 1.1 (pp. 2-3) and Pilbeam in Ch. 1.6 (pp. 10-14, available on Moodle).

### ***Further reading:***

Clark, P.B. and MacDonald, R. 1998. Exchange rates and economic fundamentals: A methodological comparison of BEERs and FEERs. IMF Working Paper 98/67.

Galati, G., Heath, A. and McGuire, P. 2007. Evidence of carry trade activity. *BIS Quarterly Review* (Sep), pp. 27-41.

\*Brunnermeier, M.K., Nagel, S. and Pedersen, L.H. 2008. Carry trades and currency crashes. NBER Working Paper 14473.\*

## **Lecture 7 – Global Financial Crisis**

### ***Essential reading:***

Financial Crisis:

- IMF 2009. Lessons of the Global Crisis for Macroeconomic Policy.
- Pilbeam Ch. 18.7 to 18.22
- Mishkin, F. 2011. Over the cliff: from the Subprime to the Global Financial Crisis. *Journal of Economic Perspectives* 25(1), pp. 49-70.

International Macroeconomic Policy Coordination:

- Pilbeam Ch. 14.1 to 14.3, 14.7 and 14.9 to 14.10

### ***Further reading:***

Portes, R. 2009. Global Imbalances. In *Macroeconomic Stability and Regulation: Key Issues for the G20* (pp. 19-26). Eds. M. Dewatripont, X. Freixas and R. Portes, CEPR.

Howden, D. 2013. Separating the wheat from the chaff: Icelandic and Irish policy responses to the Banking Crisis. *Economic Affairs* 33(3), pp. 348-60.

Furceri, D. and Mourougane, A. 2009. Financial Crises: Past Lessons and Policy Implications. OECD Economics Department Working Paper No. 668.

Tucker, P. et al. 2013. Macroprudential policy at the Bank of England. *Quarterly Bulletin* 2013:Q3, pp. 192-200.

## **Lecture 8 – Monetary Union**

### ***Essential reading:***

- Pilbeam Ch. 16.11 to 16.13 and 16.18 to 16.20
- Pilbeam Box 10.1 (p. 234)

A discussion of the costs and benefits of monetary union can also be found in

- Copeland Ch. 11.1 to 11.3

### ***Further reading:***

Remainder of Pilbeam Ch. 16

\*Beetsma, R. and Giuliodori, M. 2010. The macroeconomic costs and benefits of the EMU and other monetary unions: an overview of recent research. *Journal of Economic Literature* 48, pp. 603-41. Sections 1 to 8.\*

De Grauwe, Ch. 1 to 5. *Economics of Monetary Union*, Oxford University Press.

## **Lecture 9 – Market microstructure and exchange rates**

### ***Essential reading:***

- Lyons, Ch. 1 (available on Moodle)
- MacDonald Ch. 14 or Copeland Ch. 14

### ***Further reading:***

\*Vitale, P. 2007. A guided tour of the market microstructure approach to exchange rate determination. *Journal of Economic Surveys* 21(5), pp. 903-934.\*

Evans, M.D.D. 2005. Foreign exchange market microstructure. Paper prepared for the New Palgrave Dictionary of Economics. Available on Moodle.

## **Lecture 10 – Summing up and the final exam**

- Review the IFM lecture slides
- Read the past exam papers I have uploaded to Moodle and think about how you would answer them. (You will be able to ask any questions you have in the lecture.)