The motivation of the course.

The idea of this course is to critically analyze the experience of different countries with conduct of monetary policy. The stress will not be on models or theorems; rather, the course will be about discussing why certain strategies were adopted by different countries under different circumstances, and what the results of these policy choices were. At the same time, the students should recognize that the practical ideas discussed in this course are heavily based on the mathematical models taught in the general macroeconomic curriculum 1-6, even if this link is not immediately visible.

Primary texts.

The course will be based entirely on journal articles, many of which can be found in a recent book


This book is not available at NES, but is a collection of previously written papers by Mishkin and co-authors, and they are mostly available from open Internet sources, including his personal web-page at Columbia. Most of the articles written by Mishkin from the list below are chapters in this book.

Grading system.

The grade will consist of two parts: the final exam and the term paper, each worth 50% of the grade. A satisfactory grade for the course requires satisfactory grades for both the exam and the paper.

The final exam will consist of several essay-type questions on the topics discussed in class. The answers are expected to be non-mathematical (no models and formulas), but contain tight economic intuition as well as knowledge of international experience with respect to monetary policy conduct.

The term paper

The term paper must be written in groups of no less than one and no more than four students. The exact number is determined as number of students in class divided by seven, since there will be seven presentations during the course. The presentations will be done during the second half of each lecture in the second half of the course. In case more than 28 students attend the course, there will be more groups, and the presentations will have to be jammed into smaller space.

Each group is expected to choose the topic of the paper by the end of January 18. In order to help with the choice of the topic, the instructor will give students several options. However, students are encouraged to come up with their own ideas as well. All topics will be of the same format: a critical analysis of the actions of a monetary authority of a particular country in a particular situation. It is also possible to compare
the actions of several countries in one situation, for example, in a crisis episode. These countries cannot be Russia or the United States, since these two countries will be discussed in class most heavily. No two groups will be allowed to write on the same country, and no group will be allowed to write about a country discussed in a successful term paper from in the previous academic year.

Each group must present their paper at an intermediate stage in class during one of the last several sessions. The term paper grade will be partly determined at this presentation, and therefore presentations must be interesting and well-prepared.

The first version of the paper must be submitted two weeks before the end of the course. The instructor will return it with comments within a week. The final version of the paper must be submitted two days before the final exam. Papers must be written in English. The typical length of each paper is expected to be about 20 pages with normal font size, margins, 1.5 line spacing, etc, not counting the figures and tables.

**Tentative schedule.**


3. From Volcker to Greenspan. From monetary targets to Taylor rules and aggressive use of interest rates. Experience of several countries with search for a policy instrument.


5. Inflation targeting


6. Fixed exchange rate regimes – pros and cons, theory and practical applications


7. Monetary policy at times of financial crises


8. The role of the IMF


9. International reserves management

Aizenman, Joshua and Jaewoo Lee, “Financial Versus Monetary Mercantilism-Long-run View of Large International Reserves Hoarding”, NBER WP 12718, December 2006


Levy-Yeyati, Eduardo and Federico Sturzenegger, “Fear of Floating in Reverse: Exchange rate Policy in the 2000s,” manuscript
11. Capital controls


12. Monetary policy in modern Russia. Real exchange rate targeting.