

# ECON 425

## TOPICS IN MONETARY ECONOMICS: THE INTERNATIONAL MONETARY SYSTEM FROM THE GOLD STANDARD TO WAR IN UKRAINE

### Syllabus

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**Fabio Ghironi**

University of Washington

Office: Savery Hall 337

E-mail: ghiro "at" uw "dot" edu

Website: <http://www.fabioghironi.com>

Z (formerly, Twitter): [@FabioGhironi](https://twitter.com/FabioGhironi)

### Lectures:

Monday and Wednesday

Section A: 10:30am – 12:20pm, Thomson Hall 135

Section B: 3:30 – 5:20pm, Miller Hall 316

### Office Hours:

Tuesday, 1:30 – 3:20 pm, location TBA  
and by appointment in my office

### Welcome

Feel free to address me as Fabio. You can of course address me as Professor Ghironi if you prefer to do so. You can find out a lot about me by visiting my website.

Absent unexpected events, I will teach in person throughout the quarter at the regularly scheduled class times. Lectures will not be recorded, but my slides will be available for you on Canvas and in the Teaching section of my website. I will hold regular office hours and ad hoc appointments in person. [DRS accommodation](#) is required for students to complete the class remotely.

Since I take an immunosuppressive medication, I will appreciate it if you wear a mask indoor any time you wish to get closer to me than six feet.

### Course Description and Objectives

COVID-19 and Russia's large-scale invasion of Ukraine have been large shocks to the United States and global economy. Central banks and governments took unprecedented economic policy

actions in response to COVID-19. Later, they adjusted policies to respond to high inflation, and now some (the Federal Reserve) are reversing course also in response to signs of weakness in the economy. This course will be centered on studying and discussing these crises and the economic policy responses implemented in the United States and elsewhere. We will study these events and actions through the lens of history and theory, learning from the experiences of past periods and from economic models. These will help us understand lessons from the past and develop insights into recent events.

We will study questions like: Would the United States have been better off if the Federal Reserve had conducted policy under a Gold Standard arrangement in the last five years? What do we learn from the experience of the Great Depression? What about a Bretton-Woods-type international monetary system? Does euro membership help European countries navigate global crises? What about emerging economies? What is the role of international economic policy coordination? What do we learn from past sovereign debt crises that is relevant for current policymaking? We will use a combination of history, economic theory, and political economy to address these and other questions.

The goal of the course is for you to develop an understanding of domestic and international economic aspects of crises, of how the conduct of macroeconomic policy affected events in the past, and of how policymakers are thinking about events today.

### **Approach and Prerequisites**

The theoretical material in this course will require familiarity with multivariate calculus and with solving constrained optimization problems. Other than this, the only formal prerequisite is Intermediate Macroeconomics (ECON 301), with a minimum grade of 2.0. Students who have already been exposed to international economics are likely to find some parts of the course easier, but I will explain everything taking nothing more than calculus and intermediate macro for granted.

### **Readings, Reading Expectation, and a Book Suggestion**

The key material for this course will be my slides/notes, which I will post on Canvas and in my Teaching webpage, <http://www.fabioghironi.com/teaching.html>. These slides/notes will be the only required readings (other than short items I may ask you to read for homework exercises). Besides the book I mention below, the slides/notes are based on papers, many of which are freely accessible online from the links at <http://www.fabioghironi.com/umonecreadings.html> as long as you are logged into the UW network. When I ask you to read a set of slides in advance of a lecture, do it. If you want to read a book that covers many of the topics in this course, I recommend (but not require) *Globalizing Capital: A History of the International Monetary System*, third edition, by Barry Eichengreen, Princeton University Press, 2019. It is only about 250-pages long (small pages), very well written, and completely non-technical.

### **Important**

This course is for students who are seriously interested in international monetary economics and who are ready to use math tools that are standard for undergraduates all over the world. Intermediate Macroeconomics is a serious prerequisite. If you forgot your macro and want to take this course, you should review your macro textbook or notes as soon as possible. The same applies to calculus. This course is not for students without any real interest in international economics.

## **Course Requirements**

I will assign homework at a frequency that will depend on how the course progresses. The assignments will be posted on Canvas. You can submit them in person or on Canvas, depending on what is most convenient for you. You can work on the assignments with other students, but each of you should submit their answers separately. Randomly selected parts of each homework—the same parts for each student—will be graded so that the homework score will be between 0 and 100 (for instance, two parts may be graded, with maximum scores of 40 for the first part and 60 for the second). Your lowest homework score will be dropped, and your overall homework score for the course will be computed as the average of your remaining assignment scores.

There will be take-home midterm and final exams. I will assign the exams by posting them on Canvas. The midterm exam will be assigned during the week of October 28, on a day and at a time to be determined with you. The final exam will be assigned during Final Examination Week, also on a day and at a time to be determined with you. When taking the exams, you may consult all course materials and standard Internet resources, but your work must be original, and you may not solicit or obtain assistance from or help other people for any specific content of the exam. Activities considered cheating include copying or closely paraphrasing content from websites, using AI tools such as ChatGPT, and discussing exam questions with other students. The exams will be graded on a scale 0-100. Anyone found cheating will be assigned a zero score for the relevant exam.

Your overall score for the course will be determined using a weighted average of your overall homework score and the exam scores, weighted as follows:

Overall homework score:	25 percent.
Midterm exam score:	30 percent.
Final exam score:	45 percent.

Your overall score for the course will determine the grade between 0 and 4 that I will assign at the end. (Your overall score will be compared to those of the other students in the course section you are enrolled in order to determine your grade. Therefore, you should make sure you are enrolled in the section you plan to attend regularly.)

## **Attendance and Participation**

Attendance and class participation are not formally required. However, historically, students who attend regularly and ask their questions in class (and/or during office hours or appointments) do better than students who do not.

## **Grader, Grading Procedure, and Questions on Grading**

There is a Grader for this course. His name is Sangwoo Park. He will grade your homework assignments, the midterm exam, and part of the final exam. I will grade the other part of the final exam, and I will determine your grade for the course based on your scores as described above.

I trust Sangwoo's competence fully in this process. Therefore, if you have questions about his grading, you should discuss them initially with him, and approach me only if the issue remains unresolved. Sangwoo's e-mail address is sngwpark "at" uw "dot" edu. You should carbon-copy

me on all correspondence with him. If you have questions on the part of the final exam that I will grade, or questions on your grade for the course that do not involve their grading, you should contact me directly.

### **Review Sessions**

To help you prepare for the exams, there will be review sessions held by Shipei Huang, a student who took both ECON 425 and ECON 401 with me and did extremely well in both courses. Dates, times, and locations of these sessions TBA.

### **Academic Integrity**

The University of Washington values the academic integrity of its students and faculty. For Student Academic Responsibility and the consequences of misconduct, see <https://www.washington.edu/cssc/for-students/academic-misconduct>.

The Economics Department's policy on Academic Conduct is at <https://econ.washington.edu/policy-academic-conduct>.

### **Religious Accommodations Policy**

Please see the UW's Religious Accommodations Policy at <https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy>. Accommodations must be requested within the first two weeks of this course using the Religious Accommodation Request form available from that webpage.

### **Letters of Recommendation**

The information in this paragraph may not be relevant for you during this quarter, but it may become relevant later on. You should let me know as soon as possible if you think that you may be interested in a letter of recommendation from me. Constraints outside my control imply that my availability for this task is very limited, and I will not be able to accommodate letter requests that I receive close to application deadlines (say, less than two months before the deadlines). Important: I will write letters only for students who have taken both ECON 425 and ECON 401 with me.

### **Advice**

If you do what I recommend here, you will do well in this course.

Do your best to stay on top of the material regularly. Work through the math intensive parts of the course with pencil and paper, making sure that you can reproduce and understand all derivations. Do not try to memorize the material. Focus on understanding.

You should take full advantage of the resources at your disposal: Attend office hours and/or ask me for appointments to go over your questions. Do not feel uncomfortable asking the same question more than once—for instance, in class and office hours. I am excited about the material of this course, and I will do my best to make sure you learn as much as possible from it.

You should also always feel free to ask questions during lectures. Lively class discussion is always fun. Remember the paragraph above about attendance and participation.

However, you should not e-mail me questions that require answers that are longer than one or two lines. E-mail is an extremely inefficient way to handle such questions. It is much better to discuss them in person. I will do my best to give you maximum flexibility for appointments if you cannot attend the regular office hours, but do not expect that I will be able to accommodate same-day or next-day appointment requests. Reasonable advance notice will be important.

My priority is to give you a course that can be a valuable learning experience. I will give you all the flexibility I can give, but I will expect that we all put our best effort into the course.

### **#EconTwitter**

There is a lively community of economists on Z (formerly, Twitter). Posts often include the hashtag #EconTwitter. We post material that we find interesting, and we discuss research and/or economic policy questions, many times related to topics of this course. If you are interested, my handle is [@FabioGhironi](#).

### **Topics and Readings**

Following is the list of topics I plan to cover and of the main sources on which my slides/notes are based. Remember: The sources I list are not required readings. I am listing them just so you have the information as background. When there is no source listed, the slides/notes are just based on my own knowledge of the topic. How deep we go in the list of topics will depend on how the course unfolds.

#### **Topic 1: Macroeconomic Policy in Troubled Times**

Fornaro, Luca, and Martin Wolf (2020): “COVID-19 Coronavirus and Macroeconomic Policy,” CEPR DP 14529.

#### **Topic 2: Determination and Intertemporal Sustainability of Net Foreign Debt**

#### **Topic 3: What If We Were Still on the Gold Standard?**

Eichengreen, Barry, and Marc Flandreau (1997): “Editors’ Introduction,” in Eichengreen, Barry, and Marc Flandreau (eds.), *The Gold Standard in Theory and History*, Routledge, London, pp. 1-23.

Krugman, Paul R. (1991): “Target Zones and Exchange Rate Dynamics,” *Quarterly Journal of Economics* 106: 669-682.

#### **Topic 4: Lessons from the Great Depression and the Global Financial Crisis of 2007-08**

Bernanke, Ben S. (1995): “The Macroeconomics of the Great Depression: A Comparative Approach,” *Journal of Money, Credit and Banking* 27: 1-28.

Eichengreen, Barry (1984): “Central Bank Cooperation under the Interwar Gold Standard,” *Explorations in Economic History* 21: 64-87.

#### **Topic 5: The Bretton Woods System and the Transition to Floating Exchange Rates**

Bordo, Michael D. (1993): “The Bretton Woods International Monetary System: A Historical Overview,” in Bordo, Michael D., and Barry Eichengreen, Editors (1993): *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*, University of Chicago Press, Chicago.

Eichengreen, Barry (2019): *Globalizing Capital: A History of the International Monetary System*, third edition, Princeton University Press, Princeton, Chapter 5.

**Topic 6: Why Do Many Countries Still Find It Desirable to Limit Exchange Rate Flexibility?**

Giavazzi, Francesco, and Marco Pagano (1988): “The Advantage of Tying One's Hands: EMS Discipline and Central Bank Credibility,” *European Economic Review* 32: 1050-1082.

**Topic 7: Policy Tradeoffs and International Monetary Cooperation under Alternative Exchange Rate Regimes**

Ghironi, Fabio, and Francesco Giavazzi (1998): “Currency Areas, International Monetary Regimes, and the Employment-Inflation Tradeoff,” *Journal of International Economics* 45: 259-296.

**Topic 8: Europe: Why the Euro? Would Countries Be Better Off Without It in the Current Circumstances? Lessons from the Euro Area 2010-2015 Sovereign Debt Crisis.**

Baldwin, Richard, and Francesco Giavazzi, eds. (2015): *The Eurozone Crisis: A Consensus View of the Causes and a Few Possible Solutions*, VoxEU.org e-book, CEPR Press.

**Topic 9: Developing and Emerging Economies: From Sudden Stops to the Ukraine War**

Eichengreen, Barry (2019): *Globalizing Capital: A History of the International Monetary System*, third edition, Princeton University Press, Princeton, Chapter 6.

**Topic 10: Non-Cooperative versus Cooperative Monetary Policy Responses to Global Crises**

Obstfeld, Maurice (2022): “Uncoordinated Monetary Policies Risk a Historic Global Slowdown,” blog, Peterson Institute for International Economics.