

School of Economics and Finance

MOFI202 MONEY AND BANKING

Second Trimester 2005

COURSE OUTLINE

Contact Details

Course Co-ordinator	Jerry Mushin	RH426	Extn 5884
Lecturers	Chia-Ying Chang	RH431	Extn 6146
	Arthur Grimes	RH427	Extn 8804
Tutorials Administrator	Alice Fong	RH430	Extn 5353

Lectures

Tuesday, Wednesday, Friday 11.30am RH LT1

Tutorials

Students are expected to attend one tutorial every week, beginning in the second week of the course. Between 8.00am on Wednesday 6 July and 8.00am on Thursday 7 July, students should use Blackboard [www.blackboard.vuw.ac.nz] to choose a tutorial group. Details of the allocation of tutorial groups will be placed on Blackboard and on the Money and Finance notice board on the Mezzanine of Rutherford House. Tutorial assignments will be available on Blackboard. Assignments must be placed in the appropriate tutor's box on the Mezzanine of Rutherford House by 12.00 noon on Mondays. There are nine tutorial assignments. Assignments will not be submitted on 29 August and 5 September.

Assignments must satisfy these requirements:

- typed (not hand-written)
- minimum margin of 4 centimetres on each side of the text (for comments)
- 1.5 spacing
- approximately 700 words
- carefully proofread and edited

Examination

The examination will be between 10 October and 4 November.

Course Objectives

This course deals with the development of the domestic and international financial systems with special reference to New Zealand. The basic elements of the theory of money, financial markets, and financial institutions are introduced and utilised to provide a framework for assessing the development of these financial systems and for interpreting the efficacy of domestic monetary and financial policies.

Course Content

Chia-Ying Chang's lectures

1	Time and rationality
1-2	Introduction of money
3	History of currency
4-5	Assets and interest rates
6-7	Examples of assets
8	Asset portfolio choice
9	New Zealand inflation and interest rates.
10	Transaction demand for money
10	Quantity theory of money
11	The Baumol-Tobin model
12	Banks
13	Loan contracts and private information
14	Taxes
15	Government budget constraint and policy
16-17	Equilibrium interest rates
18-19	Inflation, the Phillips curve, and time inconsistency
20	The foreign sector
21	TEST

Arthur Grimes' lectures

22-24	Practical issues in central banking
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Jerry Mushin's lectures

25-29	Money in the macro-economy: effects on inflation and real output
30-32	Term structure of interest rates
33-36	New Zealand monetary policy: instruments and real effects

Readings

Lecture notes for Lectures 1 to 20 are available on Blackboard. For Lectures 25-36, a book of reprinted readings is available from the Student Notes Service.

Supplementary reading

*A D Bain: *The Economics of the Financial System*, Basil Blackwell Ltd, 1992

Roger Bowden and Jennifer Zhu: *Kiwicap: An Introduction to New Zealand Capital Markets* [2nd ed], Kiwicap Research Ltd, Wellington, 2005

*E Carew: *New Zealand's Money Revolution*, Allen and Unwin Ltd., 1987

R Deane (ed): *Financial Policy Reform*, Reserve Bank of New Zealand, 1986

K Dowd and M K Lewis (ed): *Current Issues in Financial and Monetary Economics*, Macmillan Education Ltd, 1992

D Gowland: *Money, Inflation and Unemployment* [2nd ed], Harvester Wheatsheaf, 1991

*A Grimes (ed): *Monetary Policy and the New Zealand Financial System* [3rd ed], Reserve Bank of New Zealand, 1992 [The earlier editions of this title are of historical interest only.]

A Grimes, F Holmes, and R Bowden: *An ANZAC Dollar? Currency Union and Business Development*, Institute of Policy Studies, Victoria University of Wellington, 2000.

R G Hubbard: *Money, the Financial Sector and the Economy*, Addison-Wesley Publishing Company Inc, 1994

G Karacaoglu (ed): *An Introduction to Financial Markets in New Zealand*, Victoria University Press, 1988

M Lewis and K Davis, *Domestic and International Banking*, Philip Allan Publishers Ltd, 1987

W T Newlyn and R P Bootle: *Theory of Money* [3rd ed], Oxford University Press, 1978

*P Peare, *An Introduction to the New Zealand Financial System*, Addison Wesley Longman NZ Ltd, 1999

L E O Svensson: *Independent Review of the Operation of Monetary Policy in New Zealand*, The Treasury, Wellington, 2001.

Reserve Bank of New Zealand Bulletin (quarterly)

Monetary Policy Statement, Reserve Bank of New Zealand (at least biannual)

www.rbnz.govt.nz

www.treasury.govt.nz

Essential introductory reading is marked with an asterisk.

Materials and Equipment

Non-programmable calculators are permitted in the examination.

Assessment Requirements

three-hour examination (60%)

50-minute multiple-choice test on Friday 2 September at 4.40pm (20%)

the best six tutorial assignments (20%)

The examination mark will have a weight of 100% if this leads to a higher grade. The requirements for a pass are a minimum examination mark of 40% and a minimum weighted mark of 50%.

Penalties

Assignments that are submitted late will be awarded a zero mark unless the course co-ordinator is satisfied that an extension is warranted. A zero mark will be awarded for plagiarised assignments.

Mandatory Course Requirements

All registered students will be permitted to sit the MOFI202 examination.

Communication of Additional Information

Additional information will be placed on Blackboard.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications.

Easterfield (EA) - FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office, will be open from 9:00 am to 5:00 pm during Trimester 2, offers the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

Please note:

There will be a Student Administration Adviser, from the RWW office, based in EA005 from Monday 27 June to Friday 1 July (9:00 am to 5:00 pm) and from Monday 4 July to Friday 22 July (11:00 am to 1:00 pm).

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at: www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at:

www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at

www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.

Maori and Pacific Mentoring programme (Manaaki Pihipihinga)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: Maori-Pacific-Mentoring@vuw.ac.nz