

School of Economics and Finance

## **MOFI 303 MONETARY ECONOMICS**

Trimester One 2007

### **COURSE OUTLINE**

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#### **Contact Details**

Course Coordinator: Dr. Chia-Ying Chang  
Room 431, Rutherford House, 23 Lambton Quay.  
Tel: (04) 463-6146  
Email: [chia-ying.chang@vuw.ac.nz](mailto:chia-ying.chang@vuw.ac.nz)  
Office Hours: Wednesdays, 15:40-16:30 & by appointment.

Administrator: Suzanne Freear  
Room 327, Rutherford House, 23 Lambton Quay.  
Tel: (04) 463-5380  
E-mail: [Suzanne.Freear@vuw.ac.nz](mailto:Suzanne.Freear@vuw.ac.nz)

#### **Class Times and Room Numbers**

There are three 50-minute lectures per week:

Tuesdays, Wednesdays, and Thursdays      13:40-14:30pm (GB LT4)  
Government Building Lecture Theatre 4

There are four tutorial groups, and students are required to attend the one they signed for.  
The time and location for each is:

Tuesdays,      14:40-15:30pm, Government Building G04.  
Wednesdays,      14:40-15:30pm, Government Building G04.  
Thursdays,      14:40-15:30pm, Government Building G04  
Thursdays,      15:40-16:30pm, Government Building G04.

Final Examination: 1<sup>st</sup> trimester examination period between - 11<sup>th</sup> - 29<sup>th</sup> June, 2007

#### **Course Objectives**

The intended learning outcomes for students who complete this course are:

1. A basic understanding of different issues in Monetary Economic Theories.
2. The ability to analyse inflation, exchange rate, interaction between money and other assets, the effect of money on real economic variables...etc in different aspects.

3. An understanding of how to use the monetary model to evaluate how money affects savings, investment, inflation, the role of financial intermediaries, the payment system, and hence, the macro-economy.

### Course Content

Week	Chapter(s) in Champ & Freeman 2 <sup>nd</sup> Edition	Topic(s)
1	1	A Simple Model of Money
2	2	Barter and Commodity Money
3	3	Inflation
4	4	International Monetary Systems
5	5, 6	Price Surprises; Capital
6	7	Liquidity and Financial Intermediation
7	8	Central Banking and the Money Supply
8	9, 10	Money Stock Fluctuations; Fully Backed Central Bank Money
9	11, 12	The Payment System; Bank Risk
10	13	Deficits and the National Debt
11	14, 15	Savings and Investment; The Effect of the National Debt on Capital and Savings
12	16	The Temptation of Inflation

### Expected Workload

Attendance at classes (Lectures and tutorial): 4 hours/week

Reading and reviewing: 3.5 hours/week

Doing assignments: 1.5 hours/week

### Readings

(Required) Bruce Champ and Scott Freeman (2001), *Modelling Monetary Economics*, 2<sup>nd</sup> edition, Cambridge Press.

Examples of additional supplementary readings

Books (available in Commerce Library 3-day loan):

- David E. W. Laidler (1985), *Demand for Money: Theories, Evidence, and Problems*, 3<sup>rd</sup> edition, New York Press.
- Keith Bain and Peter Howells (2003), *Monetary Economics: Policy and its Theoretical Basis*, Palgrave MacMillan Press.
- Carl E. Walsh (2003), *Monetary Theory and Policy*, MIT Press.
- H. Visser (1974), *Quantity of Money*, Robertson Press.

Books (available in Commerce Library closed reserve):

- Robert E. Jr. Lucas (1981), *Studies in Business Cycle Theory*, Basil Blackwell Press.
- Thomas J. Sargent (1986), *Rational Expectations and Inflation*, Harper & Row Press.

Research articles (websites):

- Federal Reserve Bank of Minneapolis Quarterly Review (<http://minneapolisfed.org/research/qr/>)
- Federal Reserve Bulletin (<http://www.federalreserve.gov/pubs/bulletin/default.htm>).
- Federal Reserve Bank of San Francisco Quarterly Review (<http://www.frbsf.org/publications/economics/review/index.html>)
- Federal Reserve Bank of Atlanta Economic Review ([http://www.frbatlanta.org/publica/pubs\\_pubrouter.cfm?pub\\_type=ECONOMIC%20REVIEW](http://www.frbatlanta.org/publica/pubs_pubrouter.cfm?pub_type=ECONOMIC%20REVIEW))
- Journal of Money, Credit, and Banking, Canadian Journal of Economics, (<http://www.jstor.org/browse>).

### **Assessment Requirements**

**Either** 30% tutorial assignment, 5% of tutorial attendance, and 65% of final examination  
**Or** 100% final examination, whichever is greater.

### **Tutorials:**

There will be four tutorials in total, these will take place in the following weeks:

1. the third week (12-16 March),
2. the sixth week (2-5 April),
3. the ninth week (7-11 May),
4. the twelfth week (28 May-1 June),

Students are required to attend the tutorial session. Tutorial groups will be organized by Suzanne Freear (contact details above) during the first week of lectures and will start in the third week (12-16 March).

Adequate performance in tutorials and assignments is required. Tutorial assignment questions will be available on Blackboard, in the week preceding each tutorial. Students are expected to turn in all FOUR assignments.

In each assignment, students are required to do the following:

- (i) must complete a written answer individually;
- (ii) must be handed their written answer into the tutor's box on the Mezzanine floor of Rutherford House (Chia-Ying Chang's box: #84) by **1pm** on the **Monday** preceding that particular tutorial;
- (iii) must hold a copy of their own answer;
- (iv) must prepare to present their own work, and answer questions from the audience in that particular tutorial;
- (v) the written assignment must be typed and must not exceed 1600 words in total (appendices, equations and graphs are excluded).

Each assignment is of equal weight. Only the best three assignments will be counted for final grades. Any late assignment will be awarded a grade of zero (unless a valid medical certificate issued by licensed medical centre is presented or a valid form of proof that an extension is warranted). An outstanding presentation will be awarded bonus points in that particular tutorial.

Students are expected to work independently. Discussion of the assigned problems with other students is accepted, but students should write up their own answers to the problems. Do not copy someone else's answers—you learned nothing that way and your work will be penalised if proved guilty of plagiarism, which is subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalized severely.

Please do not ask tutors for help in solving the assigned problems. Students should do the assignment by themselves first. Solutions will be discussed at the tutorial session. Regular attendance at tutorials is important, as NO model answers to tutorial problems will be provided. If the tutorial session runs out of time for some of the questions, students can ask tutors to check their answers to those problems.

Students are encouraged to be active in tutorial discussion, including answering questions, providing useful comments...etc.

### **Penalties**

Any late assignment will be awarded a grade of zero (unless a VALID medical certificate issued by licensed medical centre is presented or a valid form of proof that an extension is warranted).

### **Mandatory Course Requirements**

Terms requirements specify the mandatory course requirements that students must complete in order to pass the course. To qualify for terms in this course, students must have grades received from at least THREE signed assignments.

### **Communication of Additional Information**

Communication of additional information will be posted on Blackboard through an Announcement.

### **Faculty of Commerce and Administration Offices**

#### Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services 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. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

#### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education 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 is available for the following:

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

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to [www.vuw.ac.nz/policy](http://www.vuw.ac.nz/policy).

For information on the following topics, go to the Faculty's website [www.vuw.ac.nz/fca](http://www.vuw.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

### **Manaaki Pihipihinga Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or phone (04) 463 5842.