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School of Economics and Finance

**MOFI 303 MONETARY ECONOMICS**

Trimester One 2010

**COURSE OUTLINE**

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Course Coordinator, Lecturer, and Tutor:

Dr. Chia-Ying Chang,  
Room 431, Level 4, Rutherford House,  
Tel: (04) 463-6146  
Email: [chia-ying.chang@vuw.ac.nz](mailto:chia-ying.chang@vuw.ac.nz)  
Office Hours: Fridays 2-3pm & by appointment.

Administrator:

Suzanne Freear  
Room 327, Level 3, Rutherford House,  
Tel: (04) 463-5380  
E-mail: [Suzanne.Freear@vuw.ac.nz](mailto:Suzanne.Freear@vuw.ac.nz)

**Trimester Dates**

Teaching Period: Monday 1<sup>st</sup> March – Friday 4<sup>th</sup> June 2010  
Study Period: Monday 7<sup>th</sup> June – Thursday 10<sup>th</sup> June 2010  
Examination Period: Friday 11<sup>th</sup> June – Wednesday 30<sup>th</sup> June 2010 (inclusive)

**Withdrawal from Courses:**

Information available via

**Withdrawal dates: Late withdrawals with Associate Dean (Students) permission**  
(See Section 8: Withdrawals - from the Personal Courses of Study Statute)

<http://policy.vuw.ac.nz/Amphora!~policy.vuw.ac.nz~POLICY~000000001743.pdf>

**Withdrawal dates: refunds:**

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

**Class Times and Room Numbers**

There are three 50-min lectures per week:

Mondays, Wednesdays, and Fridays: 08:30-09:20am,  
Rutherford House Lecture Theatre 3 (RH LT3)

There are three tutorial groups, starting at the 3<sup>rd</sup> week (March 15<sup>th</sup>, Monday). Students are required to attend the one they signed for. The time and location for each are:

Mondays, 09:30-10:20am, RWW 127.

Mondays, 09:30-10:20am, RWW 127.

Wednesdays, 09:30-10:20am, RWW 128.

The finalised tutorial session in which students must attend will be posted on Blackboard by Monday, March 8<sup>th</sup>.

Students are required to attend the tutorial session. Tutorial groups will be organized by Administrator Suzanne Freear (contact details above) during the first week of lectures and will start in the third week (March 15<sup>th</sup>-19<sup>th</sup>). <https://signups.victoria.ac.nz/login.aspx> . See Blackboard for further information.

**Prerequisite: MOFI 202 and QUAN 111.**

### 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	Price Surprises
6	6	Capital
7	7	Liquidity and Financial Intermediation
	8	Central Banking and the Money Supply
8	9	Money Stock Fluctuations;
9	10	Fully Backed Central Bank Money
	11	The Payment System
10	12	Bank Risk
11	13	Deficits and the National Debt
	14	Savings and Investment
12		Review

### Course Learning 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. The ability to use and construct monetary models to evaluate how money affects savings, investment, inflation, the role of financial intermediaries, the payment system, and hence, the macro-economy.
4. The ability to understand and use logical reasoning.
5. The ability to identify key assumptions and their effects on outcomes of the models.

### Course Delivery

**Lectures:** It is important for students to attend lectures ON TIME and to participate into the whole lecture. The applications and different issues of models will be discussed in the lectures.

### Tutorials:

There will be five tutorials in total, which will take place in the following weeks:

1. the third week (March 15<sup>th</sup>-19<sup>th</sup>),
2. the sixth week (April 19<sup>th</sup>-23<sup>rd</sup>),

3. the eighth week (May 3<sup>rd</sup> -7<sup>th</sup>),
4. the tenth week (May 17<sup>th</sup> -May 21<sup>st</sup>)
5. the twelfth week (May 31<sup>st</sup> -June 4<sup>th</sup>).

Tutorials assignment questions will be available on Blackboard, in the week preceding each tutorial. Students are expected to turn in all five assignments. For the week 1-week 6, the assignments are due every three weeks, and for the week 7-week 12, the assignments are due every other week.

Assignments must be:

- (i) completed independently;
- (ii) either typed or well handwritten, not exceeding 1600 words in total (appendices, equations and graphs excluded). Note that all non-recognizable handwritings by the marker will receive zero credit.
- (iii) placed in the tutor's box (Chia-Ying Chang, box #84) on the Mezzanine floor of Rutherford House by 8:30am on the **Monday** preceding that particular tutorial (students should keep a copy for presentation purpose).

Each assignment is of equal weight. Only the best **four** 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). Students have to prepare to present their assignment and to answer questions in tutorial sessions. The presentation and **80%** of tutorial attendance are mandatory of the course.

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 lectures and 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.

### **Expected Workload**

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

Reading and reviewing: 12 hours/week

Doing assignments: 2 hours/week

### **Readings**

**(Required)** Bruce Champ and Scott Freeman (2001), *Modeling Monetary Economies*, 2<sup>nd</sup> edition, Cambridge University Press. –the book students should purchase.

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** 40% for tutorial assignments, and 60% for final examination (3 hours)

**Or** 100% final examination, whichever is greater

*Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.*

### **Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from **Examination Period: Friday 11<sup>h</sup> June – Wednesday 30<sup>th</sup> June 2010. It is a three-hour examination.**

### **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**

Students must turn in at least FOUR assignments on time (or within an approved extension period). Students must present their assignment in tutorial sessions and must attend the particular tutorial they sign in for at least FOUR sessions.

#### **CLASS REPRESENTATIVE**

A class representative will be elected in the first class. That person's name and contact details (to be announced after the election) will be available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

#### **Communication of Additional Information**

The additional information or the information changes will be conveyed to students via lecture time and Blackboard to all class members.

**For the following important information follow the links provided:**

#### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

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

<http://www.victoria.ac.nz/home/about/policy>

**AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**

[http://www.victoria.ac.nz/home/about\\_victoria/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx)

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

<http://www.victoria.ac.nz/fca/studenthelp/>

#### **Manaaki Pihipihinga Programme**

[http://www.victoria.ac.nz/st\\_services/mentoring/](http://www.victoria.ac.nz/st_services/mentoring/)