

School of Economics and Finance

**ECON 338 MONETARY ECONOMICS**

Trimester One 2011

**COURSE OUTLINE**

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**Names and Contact Details**

Course Coordinator, Lecturer, and Tutor:

Dr. Chia-Ying Chang,  
Room 231, Level 2, Rutherford House,  
Tel: (04) 463-6146  
Email: [chia-ying.chang@vuw.ac.nz](mailto:chia-ying.chang@vuw.ac.nz)  
Office Hours: Wednesdays 2:40-3:30pm.

Administrator:

Alice Fong  
Room 318, Level 3, Rutherford House,  
Tel: (04) 463-5353  
E-mail: Alice.Fong@vuw.ac.nz

**Trimester Dates**

Teaching Period: Monday 28 February – Friday 3rd June

Study Period: Monday 6 June – Thursday 9 June

Examination Period: Friday 10 June – Saturday 2 July (inclusive)

**Withdrawal from Course**

Your fees will be refunded if you withdraw from this course on or before 11 March 2011.

The standard last date for withdrawal from this course is *14 May*. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an '*Application for Associate Dean's Permission to Withdraw Late*' including supporting documentation

The application form is available from either of the Faculty's Student Customer Service Desks.

**Class Times and Room Numbers**

There are two 50-min lectures per week:

Mondays, and Thursdays: 10:30-11:20am  
Rutherford House Lecture Theatre 2 (RH LT2)

There are three tutorial groups, starting at the 3<sup>rd</sup> week (March 14<sup>th</sup>, Monday). Students are required to attend the one they signed up for. The time and location for each are:

Mondays, 11:30-12:20pm in RWW126  
Wednesdays, 1:40-2:30pm in RHG02  
Thursdays, 11:30-12:20pm in RWW312

The finalised tutorial session in which students must attend will be posted on Blackboard by Friday, March 11<sup>th</sup>.

Students are required to attend the tutorial sessions. Tutorial groups will be organized by Administrator Alice Fong (contact details above) during the first week of lectures, and will start in the third week (March 14<sup>th</sup>-18<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;
	10	Fully Backed Central Bank Money
9	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 objectives, for students who complete this course, are to have acquired:

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 construct and use 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

The course is delivered through a series of 12 lectures and 5 tutorials. It is important for students to attend lectures ON TIME and to PARTICIPATE in every one of them.

## Tutorials

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

1. the third week (March 14<sup>th</sup>-18<sup>th</sup>),
2. the sixth week (April 4<sup>th</sup>-8<sup>th</sup>),
3. the eighth week (May 2<sup>nd</sup>-6<sup>th</sup>),
4. the tenth week (May 16<sup>th</sup>-May 20<sup>th</sup>),
5. the twelfth week (May 30<sup>th</sup>-June 3<sup>rd</sup>)

## Expected Workload

Attendance at classes (Lectures and tutorial): 3 hours/week

Reading and reviewing: 5 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 (2 hours)

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

The due dates of five assignments are: 10am, Mondays, March 14<sup>th</sup>, April 4<sup>th</sup>, May 2<sup>nd</sup>, May 16<sup>th</sup>, and May 30<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 **10am** 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 lecturers 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.

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 Friday 10 June – Saturday 2 July 2011.

## **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, and that person's name and contact details made 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**

Find key dates, explanations of grades and other useful information at [www.victoria.ac.nz/home/study](http://www.victoria.ac.nz/home/study)

Find out about academic progress and restricted enrolment at <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at [www.victoria.ac.nz/home/about/policy](http://www.victoria.ac.nz/home/about/policy), except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at [www.victoria.ac.nz/home/about\\_victoria/avcacademic/default.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx)

### **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/)