

School of Economics and Finance

ECON 338 MONETARY ECONOMICS

Trimester 1, 2014

COURSE OUTLINE

Course coordinator, Lecturer and Tutor:

Dr. Chia-Ying Chang.

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Office hours: **Tuesdays 3:40pm-5pm & by appointment.**

Administrator:

Alice Fong

Room 318, Rutherford House, Pipitea campus, Wellington.

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E-mail: Alice.Fong@vuw.ac.nz

Prerequisites:

ECON 202 (or 212), QUAN 111 (or MATH 141/142, 151)

Trimester Dates

Teaching Period: Monday 3 March – Friday 6 June

Study Period: Monday 9 June – Thursday 12 June

Examination Period: Friday 13 June – Wednesday 2 July (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 14 March 2014.
2. The standard last date for withdrawal from this course is Friday 16 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-minute lectures per week:

Wednesdays and Fridays from 4:40pm-5:30pm in GBLT3 (Government Building LT3).

Note that there will be no lecture on Friday 18 April (Good Friday).

There are three tutorial groups, starting from the 3rd week (Monday 17 March). Students are required to attend the one they signed up for. The tutorial time and locations are:

Tuesdays 2:40pm-3:30pm, RWW223,

Wednesdays 1:40pm-2:30pm, RWW413.

The finalised tutorial session in which students must attend will be posted on Blackboard by Thursday 13 March.

Students are required to attend the tutorial sessions. You can sign up for a tutorial via S-CUBED, URL <https://signups.victoria.ac.nz>. Tutorial sign up will be available from 7am Thursday, 6 March until 5pm Wednesday, 12 March. Tutorials will start in the third week (17-21 March). In the event of any difficulty with tutorial allocations, please contact the administrator.

Course Delivery

The course is delivered through a series of 24 lectures and 5 tutorials. It is important for students to attend lectures and tutorials ON TIME and to PARTICIPATE in every one of them.

The five tutorials will take place in the following weeks:

1. the third week (17- 21 March),
2. the sixth week (7-11 April),
3. the eighth week (5-9 May),--review mid-trimester test
4. the tenth week (19-23May)
5. the twelfth week (2-6 June).

Expected Workload

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

Reading and reviewing: 5 hours/week

Doing assignments: 2 hours/week

Prescription

This course discusses the role of money in various issues in macroeconomics, with particular attention to monetary theory and its policy implications. Topics include inflation, international monetary systems, capital, central banking, banking theory, and government debt.

Course Learning Objectives

By the end of this course, students should be able to

1. explain the key issues addressed by a range of monetary economic theories
2. identify key assumptions and the extent to which they influence the outcomes from the monetary models studied
3. analyse the interactions between money and other assets
4. analyse the effect of money on inflation, exchange rates, and real economic variables
5. construct and use monetary models to evaluate how money affects savings, investment, the role of financial intermediaries, the payments system and international monetary systems.

Course Content

Week	Chapter(s) in Champ, Freeman, and Haslag, 3 rd 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	8	Central Banking and the Money Supply
9	9	Money Stock Fluctuations;
10	10	Fully Backed Central Bank Money
	11	The Payment System
11	12	Bank Risk
12	13	Liquidity Risk and Bank Panics

Readings

(Required) Bruce Champ, Scott Freeman, and Joseph Haslag (2011), *Modeling Monetary Economies*, 3rd 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*, 3rd 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)
- Journal of Money, Credit, and Banking, Canadian Journal of Economics, (<http://www.jstor.org/browse>)

Assessment.

From Trimester 1, 2014, a revised Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

In particular, there will be a new grade scheme, in which the A+ range will be 90-100% and 50-54% will be a C-.

Either 15% from three best tutorial assignments, plus 20% mid-trimester test (1.5 hours), plus 65% final examination (2 hours)

Or 100% final examination, whichever is greater.

Preparing for and sitting the mid-course test will assist the student to achieve Course Learning Objectives 1 to 4; completing all the Tutorial Assignments will assist the student to achieve Course Learning Objectives 1 to 4; preparing for and sitting the Final Exam will assist the student to achieve Course Learning Objectives 1 to 5.

There are four assignments in total. The due dates are 11am Tuesdays, 18 March (week 3), 8 April (week 6), 20 May (week 10), and 3 June (week 12).

The mid-trimester test will take place on **Wednesday 16 April (week 7) at 6:40pm-8pm in RHLT2**. More details will be announced on blackboard. The test will be reviewed in week-8 (5-9 May) tutorials.

Tutorials assignment questions will be available on Blackboard, in the week preceding each tutorial. Students are expected to turn in all four assignments. For the first half of the trimester, the assignments are due on week 3 and week 6. For the second half of the trimester, the assignments are due on week 10 and week 12.

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 illegible handwriting will receive zero credit.
- (iii) placed in the tutor's box (**Chia-Ying Chang, box #84**) on the Mezzanine floor of Rutherford House by **11am** on the Tuesdays preceding that particular tutorial
- (iv) Students should keep a copy for presentation purpose, as the assignment won't be returned until the following week.

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) 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 answer** 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).

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 following period: Friday 13 June – Wednesday 2 July (inclusive).

Mandatory Course Requirements

In addition to obtaining an overall course mark of 50 or better, students must

1. Turn in at least *three* assignments on time;
2. Attend 75% of tutorials sessions; and
3. Present their work in tutorials whenever assigned to do so.

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

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

Additional information and information on changes will be conveyed to students in class or via blackboard.

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php

Link to general information

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.
