

School of Economics and Finance

ECON 338 MONETARY ECONOMICS

Trimester 1, 2016

COURSE OUTLINE

Prescription

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
6	5	Price Surprises
7	6	Capital
8	7	Liquidity and Financial Intermediation
9	8	Central Banking and the Money Supply
10	9	Money Stock Fluctuations
11	10	Fully Backed Central Bank Money
	11	The Payment System
12	12	Bank Risk
13	13	Liquidity Risk and Bank Panics

Trimester Dates

Teaching Period: Monday 29th February – Friday 3rd June

Study Period: Monday 6th June – Thursday 9th June

Examination Period: Friday 10th June – Wednesday 29th June (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 11th March 2016.
2. The standard last date for withdrawal from this course is Friday 13th May 2016. 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 or online.

Names and Contact Details

Course coordinator:

Professor Ilan Noy (pronounced ee-lan)

Office: Room 217, Railway West Wing, Pipitea Campus

Email: ilan.noy@vuw.ac.nz

Lecturer and Tutor:

Azreen Karim (pronounced azrin)

Office: Room 218, Railway West Wing, Pipitea Campus

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Office hours: Monday 10:30-11:30 am

Wednesday 10:30-11:30 am or by appointment.

Administrator:

Alice Fong

Room 120, Railway West Wing, Pipitea Campus

Phone: (04) 463-5353.

Email: Alice.Fong@vuw.ac.nz

Prerequisites:

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

Class Times and Room Numbers

There are two 50-minute lectures per week:

Mondays 9:30 – 10:20 am in GBLT4 (Government Building LT4)

Wednesdays 9:30 – 10:20 am in GBLT3 (Government Building LT3)

Note that there will be no lecture on Monday 14th March, 2016.

There are four tutorial groups, starting from the 4th week (Monday 21st March).

All students need to sign up for a tutorial (MyAllocator) online: <https://student-sa.victoria.ac.nz/> MyAllocator will be available from 1pm Friday, 4 March until 1pm Monday, 14 March. Sign up as early as possible to get your first choice of day/time.

The tutorial allocation list will be posted on Blackboard when it is finalised. You must attend the tutorial session that you have chosen. If, because of work or timetable clashes, you are no longer able to attend your allocated tutorial, you must notify the course administrator, to assist you to find a suitable tutorial time.

Course Delivery

The course is delivered through a series of 23 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 fourth week (21- 25 March),
2. the sixth week (4-8 April),
3. the ninth week (2-6 May)
4. the eleventh week (16-20 May)
5. the thirteenth week (30 May – 3rd June).

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>)

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

If you cannot complete an assignment or sit a test or examination, refer to

www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Expected Workload

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

Reading and reviewing: 5 hours/week

Doing assignments: 2 hours/week

Assessment

The Assessment Handbook will apply to all VUW courses: see

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

10% attendance and participation in tutorials

30% mid-trimester test (1.5 hours)

60% final examination (2 hours)

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 will be announced on Blackboard.

The mid-trimester test will take place on **Monday 20 April (week 8)**. More details will be announced on blackboard.

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 5. For the second half of the trimester, the assignments are due on week 9 and week 11.

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 (**Azreen Karim, box #84**) on Level I of Railway West Wing.

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.

Students should do the assignment by themselves first. Solutions will be discussed at the tutorial session. 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 enroll 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 12th June – Wednesday 1st July (inclusive).

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.
