

ECN 4210: Monetary Economics (3 credits)
Oakland University
School of Business Administration
Department of Economics

Instructor:	Dr. Man Jin, Assistant Professor of Economics	Winter, 2018 Tuesday: 6:30-9:20 pm Elliott Hall 237
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TEXTBOOK:

Monetary Theory and Policy, by Carl Walsh, 4th edition: MIT Press, 2017
(old editions are acceptable)

COURSE INFORMATION

Course Description:

Monetary Economics studies the influence of money, monetary policy, and monetary institutions on the economy. The course focuses on the issues of monetary policy implementation in a closed economy context. It covers topics of the functions of money, money demand, money supply, inflation, neutrality of money and introduces the Real Business Cycle model and the New Keynesian model.

We will supplement the textbook by reading many monetary theory and policy related articles. We will also supplement the theoretical analysis with Matlab programming practice.

Prerequisite: ECN 302 (or 3020) with Minimum Grade of 2.0

Supplemental Reading:

Monetary Economics by M.K. Lewis and P.D. Mizen, New York: Oxford University Press, 2000

Modeling Monetary Economies by Bruce Champ, Scott Freeman and Joseph Haslag, 3rd edition, Cambridge University Press

Learning Objectives:

Monetary Economics course provides students with the theoretical building blocks that are needed for an understanding of the monetary theory and surveys the issues in the present-day monetary policy implementation faced by the central banks. The course equips students with the necessary background to analyze problems involving the determination of interest rates in the

economy as well as with the understanding of what central banks can do to improve the economic performance the use of the monetary policy instruments.

COURSE POLICIES AND PROCEDURES

Grade: The final grade is a weighted average of all assignments, presentation, term paper, attendance and exams. The weights are:

Homework: 10%
Exam 1: 20%
Exam 2: 20%
Exam 3: 20%
Presentation: 10%
Term Paper: 15%
Attendance: 5%

Standardized Grade Scale	
Grade	Score%
4	95-100
3.6-3.9	85-94
3-3.5	75-84
2.6-2.9	68-74
2-2.5	60-67
1-1.9	50-59

Homework: Homework is to be turned in at the beginning of lecture on the day that the assignment is due. Late assignments will not be accepted. The process of investigation, consultation with peers and verification of results is crucial to learning. Students are encouraged to work together on homework assignments, but each student must submit answers independently. Homework answers that are copies of another student's answers will be treated as violations of academic integrity. Detailed solutions will be discussed in class. One purpose of the homework is to prepare students for the exams.

Presentation: 20-30 minutes presentation. Topic will be given by the instructor.

Exams: Exams are NOT comprehensive. The exams may be any combination of multiple-choice, essay, short, medium and long answer. You are not allowed any supplemental materials during the test – no books, no notes, no cell phones, no iPad, no iPod, etc. Please note that the final exam schedule is set by the university.

Attendance: Attendance record will be kept in every Lecture and Class. Abusing the attendance records by signing in for someone other than yourself is considered dishonest behavior and will be prosecuted as plagiarism. According to previous experience, students that pass had an excellent attendance record. The reason is that the course is lecture oriented. Lectures will be a compliment of the lecture notes so reading the lecture notes alone will be insufficient. Lectures will be interactive where discussions will take place between the lecturer and students. Students are encouraged to participate in the lecture. Questions and comments are welcome during the lecture.

Class Policies

Email: Emails will be responded within 2 business days.

Make-up policy: As a rule, no make-up examinations will be given for the quizzes and final examinations. Exceptions will be made only in extenuating circumstances and prior approval from the instructor will be necessary.

Academic conduct policy: All members of the academic community at Oakland University are expected to practice and uphold standards of academic integrity and honesty. Cheatings will not be tolerated.

Add/Drops: The university policy will be explicitly followed. It is the student's responsibility to be aware of deadline dates for dropping courses.

Special Considerations: Students with disabilities who may require special accommodations should make an appointment with campus Disability Support Services, 106 North Foundation Hall, phone 248-370-3266. Students should also bring their needs to the attention of the instructor as soon as possible by providing the "Letter of Accommodations" created by DSS.

TIPS TO SUCCEED IN COURSE

To perform well in the course students should attend all lectures and classes. Lectures are designed to be a compliment of self-study, rather than substitute for it.

Students are recommended to discuss material with classmates before attending classes and raise issues with class teachers and lecturers during office hours. Academic articles which are presented and discussed in lectures are required readings and are assessable. The best way to understand them is to discuss the articles among a small group of peers and then approach the lecturer for clarifications.

Remember, this course assesses the body of knowledge in the course, rather than testing individual components. Regular, consistent work through the term will be sufficient to do well in the course without the need for a large amount of studying (and stress) before the exam.

TENTATIVE COURSE OUTLINE

Note that additional readings will be made available throughout the term.

1. The Nature of Money
 - 1.1 The institution of money
 - 1.2 The roles of money
 - 1.3 Fiat money

Reading: Lecture notes

2. Money Supply
 - 2.1 Stock of money
 - 2.2 Banking system and Federal Reserve functions
 - 2.3 Operations of monetary policy
 - 2.4 History and Operations of Federal Reserve (*1)

Reading: Walsh Ch11 & Lecture notes

3. Dynamics: Money, Inflation and Welfare
 - 3.1 Real and nominal interest rates
 - 3.2 The Laffer Curve and the inflation tax
 - 3.3 High inflation and hyperinflation
 - 3.4 Hyperinflation in Zimbabwe and Germany (*2)

Reading: Lecture notes

Hyperinflation in Zimbabwe, Federal Reserve Bank of Dallas, 2011 annual report

Exam 1

4. Empirical evidence on money, prices and output
 - 4.1 Introduction
 - 4.2 Granger Causality
 - 4.3 The VAR analysis
 - 4.4 Programming practice with **Matlab** (*3 & *4)

Reading: Walsh Ch1

5. Money Demand
 - 5.1 Quantity theory of demand for money
 - 5.2 The basic money-in-the-utility model
 - 5.3 Transaction-based theories of money demand
 - 5.4 Empirical evidence (*5)

Reading: Walsh Ch 2,3

6. Real Business Cycle Model
 - 6.1 Introduction
 - 6.2 Neo-classical policy in practice

Reading: Plosser, Charles I. 1989. "Understanding Real Business Cycles." *Journal of Economic Perspectives*, 3(3): 51-77. (*6)

Exam 2

7. New Keynesian Monetary Economics
 - 7.1 The basic model
 - 7.2 A linearized new Keynesian model
 - 7.3 Monetary policy analysis in new Keynesian model

Reading: Walsh Ch 8 (*7)

8. Financial Markets and Monetary Policy
 - 8.1 Interest rates and monetary policy
 - 8.2 Term structure of interest rates

8.3 Financial frictions in credit markets

Reading: Walsh Ch 10 (*8)

Exam 3