Aims

EC3323, Monetary Economics is a third year undergraduate course. Its aim is to gain insight into more recent approaches to monetary policy, and to developments in understanding and applying such policy. Students should have a solid grounding in microeconomics, macroeconomics and mathematics, including calculus.

Learning Outcomes

The Main objectives of the course will be to understand the role of money in the economy as well as to understand some models where inflation shows persistence, the theory of monetary policy, monetary policy operating procedures and the central banking mechanisms. By the end of the course, you should understand, among other things, why inflation is persistent in the data and how the political forces affecting monetary policy making may affect inflation.

Course Delivery

The course will be delivered through a two-hours lecture and a one-hour seminar each week. Prescribed readings are provided for each week of the course. Seminars will provide an opportunity for further investigation and manipulation of models, and to solve assigned problems, as well as to discuss current policy issues in macroeconomics. Those problems will be announced during the lectures and come mainly from David Romer’s (2001) textbook.

Assessment

Formative assessment:

- Weekly problem sets and classes provide feedback. Students are encouraged to complete by writing the weekly seminar question in advance. Those assignments will receive feedback even though it will not have a formal weight.

Summative assessment:

- 2-hour unseen examination, which contributes 75% of the final mark and is taken during the Exam Term. The exam will test your knowledge and understanding of the material covered in the course; your ability to manipulate diagrammatic and algebraic versions of the models you have learned; your ability to apply models to ‘real’ economic situations; your ability to critically appraise models and their application.
Coursework, in the format of a 2000 to 3000 words essay, is due by the end of the last week of the term, 11\textsuperscript{th} December 2015. The coursework contributes 25\% of the final mark and will give you the chance to demonstrate your understanding of the contents learned and to develop your ability to critically analysing arguments and finish a project.

Reading

\textit{We will rely mainly on the textbook:}


Some of the material will come from papers, and from another textbook:


Weekly Timetable with Required Reading

\textbf{Lecture 1: Introduction to models of money}


Blanchard-Fisher, textbook; topic: money demand and the precautionary motive, pages 156—164.

\textbf{Lectures 2 to 4: The Lucas Model, inflation persistence and central banking}

Blanchard-Fisher, textbook, sections 10.4, 10.5, and pages 356-361

Romer, D., textbook, chapter 6 Part A, and sections 10.4 and 10.5.

\textbf{Lectures 5: Rules versus discretion and central bank independence}


\textbf{Lectures 6 to 8: Imperfect competition and sticky prices}

Romer, Chapter 6 Parts B and C

\textbf{Lectures 9: Currency unions}


\textbf{Lecture 10: Revision}