# **Monetary Economics (ECON 111)**

Summer Session II 2007

# **Syllabus**

Professor Dong Heon Kim Office: ECON #116 Phone: 858 534 – 9594 Office Hours: 2:00 – 4:00 PM, Wednesday Email: dkim@weber.ucsd.edu

# **Required Text**:

Frederic Mishkin, The Economics of Money, Banking, and Financial Markets, Pearson, Addison Wesley, 8<sup>th</sup> edition, 2006.

# **Other reference**:

David E.W. Laidler, The Demand for Money: Theories, Evidence and Problems, Harper Collins

# **Class Meetings**:

5:00 – 7:50 pm, Tuesday & Thursday, WLH # 2205

# Prerequisites:

Suggested prerequisites for this course are ECON1A & 1B or ECON3.

#### TA:

Dong Jin Lee, <u>d32lee@ucsd.edu</u>, ECON #127, Office hour: 10 – 12, Tuesday.

Course web page: weber.ucsd.edu/~dkim/111/

# **Evaluation and course grades**:

Performance in this class will be evaluated on the basis of grades received on problem sets, mid-term, and a cumulated final exam. Grades will be curved taking into consideration the overall class performance and the economics department's standards. Grades will be weighted as follows:

Problem sets: 15% Mid-term: 35% Final: 50%

**Problem sets**: Two problem sets and students must hand in to the TA no later than the deadline. Late submission without the instructor's permission will be panelized seriously.

Mid-term: 5:00 – 7:00 PM, Thursday, August 23, 2007. Final: 3:00 – 6:00 PM, Friday, September 7, 2007, TBA

# Exam rule:

There will be no make-up mid-term exam for any reason. A make-up final will be given, if necessary, for those with a substantial reason. Substantial is to be interpreted strictly. Excuses for missed exams must be pre-approved by the instructor. Students who make contact after the exam will have to document why they could not make contact prior to the exam. Any student who misses an exam due to physical illness will be required to provide documentation from a licensed physician indicating why the student was physically unable to take the exam.

# Aims and contents of the course:

The aim of this course is to introduce students to monetary theory which enables them to understand the main theoretical debates and policy issues. The course has following topics:

Date	Topic	Assignment
8/7/07	Money & Economy,	Ch. 1, 3 & 4
	Nature & Functions of Money,	
	Understanding Interest rates	
8/9/07	Understanding Interest rates	Ch. 4, 5
	The behavior of interest rates	
8/14/07	The term structure of interest rates	Ch.6
8/16/07	Quantity theory of money,	Ch.19, Laidler Ch.5
	Keynes Liquidity preference theory,	Due: Problem Set #1
	Friedman's modern Quantity theory of	
	money	
8/21/07	The demand for money:	Ch. 19, Laidler 6, 7
	Transaction demand for money,	
	Portfolio balance approach	
8/23/07	Mid-term	
8/28/07	The stock market,	Ch.7, 8, 9
	An economic analysis of financial structure	
	Banking and financial institutions	
8/30/07	The structure & operation of central banks,	Ch.12, 13, 14
	Deposit creation and the money supply	
	process	
9/4/07	Monetary policy:	Ch.15, 16, 23
	Tools, Goals, Targets	Mankiw Ch. 14 Appendix
	Discretion or Rule?	
	Monetary transmission mechanism	
9/6/07	Money & Inflation	Ch.24
		Due: Problem set #2
9/7/07	Final exam	

# **Contents and Reading Assignments**