

ECON 326 - Money and Banking

Fall 2016, 2016/17

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Office hours: By appointment at giulioseccia.youcanbook.me

Lectures: L1: TR 12:00 PM-01:15 PM; L2: 4:30PM-5:45PM

Aims and objectives.

The course is intended to provide students with a firm grounding in the analytical methods of monetary economics and a clear understanding of the role of the money and banking for economic activity. We will try to address questions like “Why money?”, “What are the effect of inflation on economic activity?” and “Why banking crises occur?”

We will start by covering the following topics (this outline will be completed and reassessed as we proceed with the course):

1. Money

- (a) A simple model of money;
- (b) Barter *vs.* commodity money;
- (c) Inflation,
- (d) International monetary systems;
- (e) The Phillips curve and the Lucas critique;

2. Banking

- (a) Capital *vs.* money
- (b) Liquidity and financial institutions
- (c) Bank risk

3. Government debt

- (a) The Interaction of financial and monetary policy: unpleasant monetarist arithmetic.

Problem Sets

Students are expected to solve problem sets in groups and hand-in their solutions (one set of solutions per group). At the end of term, questions will be picked at random and graded (see below).

Students' presentation

Students will have to give a group presentation. The topic will be on contemporary issues of monetary policy and banking will be assigned to each group.

Course Text

B. Champ , S. Freeman and J. Haslag, *Modelling Monetary Economics*, Cambridge University Press, Any Edition (the old edition's authors were Chanp and Freeman only. This is fine too.)

Regular reading of the Financial Times is also required as we might use the material developed in class to comment on contemporary monetary policy.

Suggested Readings: we might be able to cover some material from the following book. You do not need to get hold of it

Allen and Gale, *Understand Financial Crises*, Clarendon Lectures in Finance. Cambridge University Press.

Attendance

I will take random attendance throughout the course. According to NU attendance policy. "Students are required to be present at the beginning of the semester or term and to remain until the work of the semester or term is completed." Moreover, "Faculty may lower grades or initiate a withdrawal from a course if there is a violation of the instructors attendance policy." If you are absent 20% of the times attendance is recorded, you might not be allowed to complete the course.

Assessment

1. Problem sets: Questions will be selected at random from each problem set. Total points allocated from problem sets grading: 20%.
2. Students presentations: 20%
3. Test 1: 30% - September 29th 2016 (tentative date).
4. Test 2: 30% - 24 November 2016 (tentative date).