

**ECONOMICS 4180**  
**Seminar on Economic Policy (Monetary Economics)**  
**Course Outline**

**Dr. A. SAHU**  
**404 Elliott Hall (OFFICE)**

**Fall 2023**  
**Class Room: 220 HH**

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**Class Hours:** Mondays: 5:30 PM –8:30 PM

**Office Hours:** Tuesdays: 10:00-11:30 AM &  
In-person or Online Appointments

**My Phones:** 248-321-5200 (**Cell: Text for URGENT Issues Only**)  
248-370-3537 (**Office**)

**E-Mail:** [sahu@oakland.edu](mailto:sahu@oakland.edu)

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**Required Readings:**

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

**ADDITIONAL MATERIAL:** Will be assigned throughout the semester that relate to theoretical foundations or current issues and debates.

**COURSE INFORMATION**

**Course Description:**

Monetary Economics studies the influence of money, monetary policy, and monetary institutions on the economy. The course primarily 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, exchange rate, 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.

Prerequisite(s): For ECN4180, the prerequisites are QMM 2410 and ECN 3030 with a minimum grade of (C) in each course. For ECN5180, the prerequisites are ECN 5210 or its equivalent.

**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 and 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, and exams. The weights are:

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

The class average is NORMALLY anchored at C+. Assuming that the class average was 70%, **the grading scale utilized for the course grade, for example, is given as follows:**

A Score of 57%:	D
<u>A Score of 60%:</u>	<u>D+</u>
A Score of 63%:	C-
A Score of 66%:	C
<u>A Score of 70%:</u>	<u>C+</u>
A Score of 73%:	B-
A Score of 76%:	B
<u>A Score of 80%:</u>	<u>B+</u>
A Score of 83%:	A-
A Score of 87%:	A

In order to illustrate the use of the above scale to determine your own grade, assume that you obtained 71%. Then, following the above scale, students getting 70%, 71% and 72% will all get the letter grade C+. Those getting 73% will be switched to the letter grade B- (this will also be true for those getting 74% and 75%). Essentially, an interval is specified, as per the above schedule, for every letter grade.

## **ACADEMIC HONESTY:**

1. **CHEATING:** You are expected to display academic honesty in all aspects that relate to your grade (Exams, Quizzes, HW) “Cheating” in any form may lead to you being given a ZERO grade.
2. **MISSED EXAM/QUIZ:** If you have to miss a quiz or exam due to health or other *serious* reasons, **I must be informed in advance** by email (sahu@oakland.edu). Otherwise, you will get zero grade for the missed item. **There are no makeups for the final exam.**
3. **HW:** Complete your HW assignments on time.

**Homework:** Homework is to be turned in when that 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.

**Presentation:** 10 minutes presentation. Topics will be assigned by the instructor.

**EXAMS:** Exams are non- cumulative. The exams may be any combination of multiple-choice and essay questions (requiring short, medium or long answers).

**TERM PAPER:** The term writing project is intended to help students demonstrate an in-depth understanding of monetary economics research. The term paper will be in the form of a referee report. Students will review one of the following papers and write a 2-3 pages report.

1. Hanes, Christopher. "Quantitative Easing in the 1930s." *Journal of Money, Credit and Banking* 51.5 (2019): 1169-1207.
2. Fawley, Brett W., and Christopher J. Neely. "Four Stories of Quantitative Easing." *Federal Reserve Bank of St. Louis Review* 95.1 (2013): 51-88.
3. Jin, Man. "Measuring Substitution in China's Monetary-assets Demand System." *China Economic Review* 50 (2018): 117-132.
4. Wright, Jonathan H. "The Yield Curve and Predicting Recessions." (2006).
5. Cooper, Russell. *Exit from a Monetary Union through Euroization: Discipline without Chaos*. No. w17908. National Bureau of Economic Research, 2012.

**Guidelines of preparing a referee report can be found here:**

<https://www.aeaweb.org/content/file?id=222>

Students will be graded in part on how well they:

- Summarize the paper and evaluate the importance of the paper.
- Discuss the problems with the paper.
- Support their opinions with fact and/or logical argument.
- Propose insightful suggestions.
- Display writing skills - including sentence mechanics, grammar, use of punctuation, spelling, etc.

The term paper will take about 2 days to complete depending on your research and writing skills.

**Due Date: December 9th, 11:00 PM. Submission will be via Moodle.**

### **TIPS TO SUCCEED IN COURSE**

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

Students are recommended to discuss material with classmates before attending classes and raise questions during class or office hours. Reading and notes which are presented and discussed in lectures are important to read.

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.

### **Mental Health Services**

Oakland University is committed to advancing the mental health and well-being of its students. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, contact The OU Counseling Center at Graham Health at (248) 370- 3465. Student resources can also be found at [www.oakland.edu/deanofstudents](http://www.oakland.edu/deanofstudents) by clicking on Student Health & Safety Resources.

## 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 & Readings Ch1

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

Reading: Lecture notes & Readings Ch2

3. Dynamics: Money, Inflation and Exchange Rate
  - 3.1 Real and nominal interest rates
  - 3.2 Money supply and inflation
  - 3.3 High inflation and hyperinflation
  - 3.4 Hyperinflation in Zimbabwe and Germany
  - 3.5 Exchange Rate

Reading: Lecture notes & Readings Ch3

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 **R**

Reading: Walsh Ch1

5. Money Demand I
  - 5.1 Classical long-run development model-Solow Model
  - 5.2 The basic money-in-the-utility model

Reading: Walsh Ch 2.1

6. Money Demand II
  - 6.1 Shopping time models
  - 6.2 Cash-in-advance models
  - 6.3 Cashless economy with *ad hoc* money demand
  - 6.4 Modeling money demand in the DSGE framework

Reading: Walsh Ch 2-3

7. Review of Traditional Monetary Theory
  - 7.1 Money demand and the quantity equation
  - 7.2 Interest rate
  - 7.3 Equilibrium analysis

Reading: Lecture notes

- 8. New Keynesian Monetary Economics
  - 8.1 The basic model
  - 8.2 A linearized new Keynesian model
  - 8.3 Monetary policy analysis in new Keynesian model

Reading: Walsh Ch 8

#### **TENTATIVE SCHEDULE FOR PRESENTATIONS:**

DATE	TOPIC 1	TOPIC 2
09-18	Federal Reserve	Bank of England
09-25	Deutsche Bundesbank	European Central Bank
10-09	Financial Crisis of 2008	European Sovereign Debt Crisis
10-16	Exchange Rates Policy	Yield Curve
10-23	Managing floating exchange rate and its effects on US economy	US Interest Rates Influence the World Economy
10-30	Money Demand I: WeChat Pay	Hyperinflation
11-13	Mobile Financial Services	Money Demand II: Bitcoin
11-20	G-7 Monetary Policy	Fiscal vs. Monetary Policy
11-27	Recent Fiscal Policy & Inflation	The Fed's Inflation Fight

#### **EXAM & TERM PAPER DATES:**

- 10-12-23: Exam #1
- 11-06-23: Exam #2
- 12-11-23: Final Exam (7PM)