

## ECON 326 - Money and Banking

Fall 2016, 2016/17

Lecturer: Giulio Seccia

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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

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### 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?”. The course is divided into three parts: 1. the theory of money; 2. the banking system; 3. the interdependence of fiscal and monetary policy.

The course will always try to connect the theories presented in class with the contemporary issues of monetary policy and regulations of the banking system.

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 Champ 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.

## **Punctuality and cellular phones**

Students are expected to come to class on time. I reserve the right not to accept students that come late.

**The use of cell phones is strictly prohibited in the lecture room.**

### **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).