

Syllabus for Econ 161: Monetary Theory Spring 2019

MWF, 12pm-12:50pm, FRANZ 2258A

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1 Course Description

This course covers the most important topics in monetary economics and models that economists have employed to understand the interactions between real and monetary factors. Monetary economics examines the relationship between real economic variables at the aggregate level (such as real output, real rates of interest, employment, and real exchange rates) and nominal variables (such as the inflation rate, nominal interest rates, nominal exchange rates, and the supply of money). Therefore, monetary economics overlaps significantly with macroeconomics. However, the chapters for this class are designed for an advanced undergraduate course as it provides *a more in-depth* treatment of inflation and monetary policy topics than is customary in undergraduate macroeconomics textbooks. It deals with topics in both monetary theory and monetary policy and is designed for students interested in monetary economics and/or those aiming at working in policy institutions such as central banks.

2 Prerequisites

ECON 101 & ECON 160.

3 Textbook

The main textbook is:

- **The Economics of Money, Banking, and Financial Markets**, by Frederic S. Mishkin, 12th edition.

However, the course will also cover a few chapters from the following:

• **The New Lombard Street How the Fed Became the Dealer of Last Resort**, by Perry Mehrling, ISBN 9781400836260.

4 Grade Distribution

The composition of the final grade will be roughly as follows:

- Midterm Exam 1** 15% –**Midterm Exam 2** 15%
- Group Project:Presentation** 20%
- Final** 50 %

** Active participation has up to 10 percent *credit*. Participation includes but not limited to regular class attendance, asking questions, regular use of office hours. Please note that as this 10 percent is in form of credit, it is totally at the discretion of the instructor.

5 Group Project: Presentation

Presentations will be held during the last two weeks. Each team will be assigned to work on a research article, written by a prominent researcher in the field, after the Mid-term exam. They will give a 15 minute presentation highlighting the relevant facts and analysis of that paper. All members of the team have to present. The presentations will be graded based on how well the information is communicated is and whether the team managed to present a main message(s) of the article.

6 Policy on Missed Exams

–Exams must be taken at their scheduled time. Please note that under no circumstances will a makeup exam be administered if a student misses a midterm. If a student has a valid medical excuse and can provide written documentation of such of an excuse, or if the student has received prior permission (at least one week in advance of the exam) to miss an exam from the instructor, then additional weight will be placed on the final exam.

–Any documentation provided, such as a doctor’s note, should clearly state that the student was incapacitated and was therefore unable to take the exam, or faced a serious impediment that prevented attendance at the exam. A student who misses an exam without a valid, verifiable excuse will receive a zero.

–If due to a verifiable emergency, a student misses the final exam, then that student will be required to take a makeup final exam administered by the department at the officially announced day and time. If a student misses all exams this student will receive an automatic grade of “F”.

7 Lectures

–On Mondays of each week, we start the class by discussing a relevant news article, typically from FT, WSJ or The Economist. These articles will be posted in the course website a few days prior to Tuesday.

–The material is difficult and cumulative. To be successful in the class it is very important for you to read the relevant material before class.

7.1 Other Materials

Students should be regularly checking the developments in capital and money market. Some of the excellent resources are as below:

–FRB Balance Sheet https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

–Enhanced Financial Accounts <https://www.federalreserve.gov/releases/efa/enhanced-financial-accounts.htm>

–Quarterly Trends for Consolidated U.S. Banking Organizations https://www.newyorkfed.org/research/banking_research/quarterly_trends.html

–Indicators and Data: Cleveland Fed <https://www.clevelandfed.org/en/our-research/indicators-and-data.aspx>

–Monitoring Systemic Risk in U.S. Financial System: OFR <https://www.financialresearch.gov/>

–U.S. Treasury Yields and Yield Curve <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

–Derivatives Statistics: BIS <https://www.bis.org/statistics/extderiv.htm?m=6%7C32%7C616>

–Markets Data: New York Fed <https://www.newyorkfed.org/markets/data-hub>

–Capital Market and Securitization data: SIFMA <https://states.sifma.org/#states>

–Economics in Brief: Banque de France <https://publications.banque-france.fr/en/liste-rubrique/economics-brief-0>

Please note that this list is not exhaustive. Students are required to be well-informed about other resources.

8 Accommodation and Center for Accessible Education

–Any student with a pre-existing illness or condition who requests special arrangements must (a) qualify under CAE rules for such special arrangements and (b) must take the exam with CAE. Any such arrangements with CAE must be made the first week of classes, or as soon as possible. The instructor must be informed of any such arrangement in the first week of classes.

–For additional information and the qualification conditions of Center for Accessible Education (CAE), please visit their website at <https://www.cae.ucla.edu/>

9 Academic Dishonesty

–Students have an obligation to integrity in all academic work. Submission of test answers to be counted towards the course grade automatically imply a personal pledge that the student has neither given nor received unapproved information about the test, whether by copying answers, exchanging unauthorized prior information, etc. The college may initiate disciplinary proceedings against a student accused of scholastic dishonesty.

–Scholastic dishonesty may involve one or more of the following acts: cheating, plagiarism, and/or falsifying academic records.

–Cheating is the willful giving or receiving of information in an unauthorized manner during an examination, illicitly obtaining examination questions in advance, using someone else's work for assignments as if it were one's own, or any other dishonest means of attempting to fulfill the requirements of the course.

–Any cases of cheating will be reported to the Office of the Dean of Students.

–For more details please refer to the Office of the Dean of Students website at <https://www.deanofstudents.ucla.edu/>

10 Provisions for Possible Syllabus Revisions

There may be changes in the assignments and topics. Students are responsible for learning of any changes in the syllabus that are announced during class.

11 Tentative Course Outline

The weekly coverage might be different from this outline as it depends on the progress of the class:

Course Outline		
Date	Topic	Reading
Week 1		
April 1st	The Foreign Exchange Market	Mishkin, Chapt. 17
Week 2		
April 8th	The International Financial System	Mishkin, Chapt. 18
Week 3		
April 15th	Quantity Theory, Inflation, and the Demand for Money	Mishkin, Chapt. 19
April 19th	The IS Curve	Mishkin, Chapt. 20 (Pt.1)
Week 4		
April 22nd April 24th April 26th	Midterm Preparation Midterm The IS Curve	Mishkin, Chapt. 20 (Pt.2)
Week 5		
April 29th	The Monetary Policy and Aggregate Demand Curves	Mishkin, Chapt. 21 (Pt.1)
May 3rd	Aggregate Demand and Supply Analysis	Mishkin, Chapt. 21 (Pt.2) Mishkin, Chapt. 22 (Pt.1)
Week 6		
May 6th	Aggregate Demand and Supply Analysis	Mishkin, Chapt. 22 (Pt.2)
May 10th	Monetary Policy Theory	Mishkin, Chapt. 22 (Pt.3) Mishkin, Chapt. 23 (Pt.1)
Week 7		
May 13th	Monetary Policy Theory	Mishkin, Chapt. 23 (Pt.2)
May 17th	Review Session: Midterm 2	Mishkin, Chapt. 23 (Pt.3)
Week 8		
May 20th May 22nd	Midterm The Role of Expectations in Monetary Policy	Mishkin, Chapt. 24 (Pt.1)
May 24th	The Role of Expectations in Monetary Policy	Mishkin, Chapt. 24 (Pt.2)
Week 9		
May 27th May 29th	Memorial Holiday Transmission Mechanisms of Monetary Policy	Mishkin Chapt. 25
May 31st	Money View Workshop	Presentation
Week 10		
June 3rd June 5th June 7th	Money View Workshop Money View Workshop Review for Final Exam	Presentation Presentation
Final		
June 10th	Cumulative	