Monetary Economics

Module Code: ECO00010H  Credits: 20  Year: 3  Terms: 1-2
Contact Hours: 17 Lectures, 8 Practicals, 2 Seminars (27 contact hours)
Module Organiser: Professor S K Chattopadhyay

Overview:
The module introduces third year students to a broad set of topics in modern monetary theory.

More detailed information on the structure of the module, teaching method, the role of practicals, policy on homework submission and grading, etc may be found in the Course Outline on the virtual learning environment (vle). The Course Outline is for a specific year and is updated each year and so its current content is best thought of as a guide for next year.

Aims:
Macroeconomics I and II introduced models of money, both money demand and money supply, and showed how a central bank operates and how monetary policy affects the economy.

Monetary Economics takes a different approach to some of those issues. It builds on models of individual behaviour to develop a model that is well understood - the perfectly competitive model - where there are no frictions, resources are allocated efficiently and there is no role for money. It then identifies the key elements of that model and specifies the extent to which it can be generalised.

With that in hand, it proceeds to set up models, always with foundations in microeconomics, that have certain imperfections and thereby generate a role for money and monetary policy. Specifically, it considers the importance of expectations, liquidity constraints, missing markets, uncertainty, imperfect information and enforceability. It also studies certain aspects of central banking and policy. All the models developed have foundations in microeconomics.

Objectives:
On completing the module a student will be able to understand:
- When there is a role for money
- Some aspects of monetary policy that are related to the optimum quantity of money
- Some aspects of liquidity

Assessment:
There will be an unseen 3-hour examination in the Summer Term. There will be no choice on the exam.
**Pre-requisites:**
None

The mathematics content of the module is quite high as is the level of abstract thought required. So at a minimum, students should be open to a theoretical/mathematical mode of thought and should be comfortable with the optimisation techniques (Lagrangians and problems with inequality constraints) that they have seen in their mathematics modules.

**Main References:**
Lecture Notes and some chapters or sections from: