



Economics

COLLEGE OF LIBERAL ARTS & SCIENCES

ECON 516 Monetary Theory

Course Syllabus

CREDITS: 4 graduate hours.

SEMESTER: Fall 2026.

MEETING TIMES: TR 3:30 pm to 4:50 pm.
317 DKH.

INSTRUCTOR: Prof. Pavlo Dziuba.

EMAIL: pdziuba@illinois.edu.

*Contact me using this official email. Personal email not accepted.
Response time: 24 hours (excl. Sat/Sun).*

OFFICE HOURS: MW 3:00 pm – 5:00 pm.
28 David Kinley Hall.

You do not need an appointment during office hours. However, if you have an issue that requires special attention and / or you cannot attend office hours because of the schedule mismatch you may email me to schedule an appointment.

COURSE DESCRIPTION

Micro- and macroeconomic theories of the supply of and demand for money; money substitutes and their significance; review of current empirical research; money in closed economy, macroeconomic, and static general equilibrium models; and analysis of inflation and unemployment.

PREREQUISITES

Restricted to ECON MSPE students. Consent of the instructor.

COURSE MAIN OBJECTIVES

The main objective of this course is to provide students with a comprehensive understanding of the nature and role of money in a modern economy. The course examines the key features of money and monetary circulation, the process through which the money supply is created, and its effects on aggregate demand and aggregate output. It also analyzes how monetary variables are influenced by broader macroeconomic conditions and how macroeconomic equilibrium is established and

restored. While primarily theoretical in orientation, the course bridges economic theory and real-world applications, providing a foundation for the study of monetary policy. Topics include selected aspects of interest rate theory, linear and nonlinear methods for measuring bond price sensitivity, and major models of macroeconomic equilibrium, including the *IS-LM*, *IS-MP*, and *AS-AD* frameworks. The course also introduces the New Keynesian *DSGE* model, based on rigidities. It is designed for MSPE students at the 500 level.

LEARNING RESOURCES

Main textbook: Mishkin, F. (2019). *The Economics of Money, Banking, and Financial Markets* (12th ed.). Pearson.

Not all topics are expected to be covered by the textbook. Some issues will be discussed in class only.

Earlier or later editions of the textbook are acceptable however I cannot guarantee that the numbering of chapters and / or sections will coincide. Furthermore, some cases addressed in the course are of a more recent origin and they are not described in prior editions.

Paper or electronic versions of the text can be used.

Most material is expected to be delivered during the lecture. Therefore, students will need the book when they fall behind or when they want to catch up on understanding of some specific parts of material or topics.

Additional readings: Supplementary readings to the course (if necessary) will be provided via the course learning platform. I very much welcome the reading of The Wall Street Journal, The Economist and / or other relevant sources. Although such reading will not be graded, I will periodically post some useful references to the mentioned editions related to the course issues.

Learning management system: <https://canvas.illinois.edu>

Canvas is the course official learning platform. All materials, assignments, quizzes, readings, lecture slides, updates, announcements etc. will be posted and / or distributed via the course Canvas site. If there is a time-sensitive update it will be posted on Canvas, and students will be notified via their university official e-mail as well.

It's the students' responsibility to learn how to use Canvas properly, in particular – how to submit answers, doing quizzes etc.

Lecture slides will be provided with note-making boxes for students' convenience. They will be available before the lecture.

Calculator: Since the course requires some calculus and problems will be included in the exam assignments students are required to have calculators with them during midterm and final exams. Other computational devices (laptops, cell phones etc.) are not allowed. Everybody must bring their own calculator. There are no calculators provided, and students cannot share with anyone. However, during regular classes along with calculator students may use any computational devices they consider relevant.

IMPORTANT DATES

Below is the summary of the course important dates and deadlines:

Activity	Due Date	Day	Venue
Problem bundle 1	Sep 15	Tuesday	Online – Canvas
Problem bundle 2	Sep 29	Tuesday	Online – Canvas
Problem bundle 3	Oct 9	Friday	Online – Canvas
Midterm exam 1	Oct 13	Tuesday	317 DKH
Problem bundle 4	Oct 27	Tuesday	Online – Canvas
Problem bundle 5	Nov 6	Friday	Online – Canvas
Midterm exam 2	Nov 10	Tuesday	317 DKH
Problem bundle 6	Dec 8	Tuesday	Online – Canvas
Weekly quizzes	Every Sunday	Sundays	Online – Canvas
Final exam	TBD	TBD	TBD

STUDENT ASSESSMENT AND GRADING

Points in the course will be distributed as follows:

Midterm exam (lowest score) – 15%
 Midterm exam (highest score) – 20%

2 midterm exams – 35%
 Final exam – 25%
 Quizzes – 20%
 Problem bundles – 20%

EXTRA credit – 5%

The final grade is calculated as a percentage of these points. The overall grade for the class will be scored out of 100 points. To determine your grade, you should sum up all your points in the course scored so far, divide the number you got by the maximum possible number of points, multiply by 100 and then finally round the number to the nearest integer using regular mathematical rule. For example, 96.4 is rounded to 96 (A). A grade of 89.5 would be rounded to 90 (A-). Grades can be whole numbers only and

cannot be fractional numbers. Rounding of student's scores is done only once – for the final grade only. All interim scores will be recorded and summed up with one fractional digit (where appropriate). For example, assuming the two midterm exams scores to be respectively 15.4 and 18.2, the final grade will be calculated as follows $15.4 + 18.2 = 33.6 \approx 34$ (not as $15.4 \approx 15 + 18.2 \approx 18 = 33$).

The following cutoffs will be used for the letter grades:

A+	97 – 100	B+	87 – 89	C+	77 – 79	D+	67 – 69	F	0 – 59
A	93 – 96	B	83 – 86	C	73 – 76	D	63 – 66		
A-	90 – 92	B-	80 – 82	C-	70 – 72	D-	60 – 62		

I reserve the right to curve the grades.

COMMUNICATION POLICY

Students must use their official university e-mail (NetID@illinois.edu) to communicate on any issue regarding the course. Students are responsible for checking their official university mailbox as well as the course Canvas site regularly to ensure they are aware of the course issues and updates. When e-mailing students must put the course rubric and number (ECON 516) in the subject line.

Midterm exam policy

All two midterm exams will be taken in-person during the regularly scheduled lecture time (see the dates above). There are no conflict midterm exams in this course. There is no make-up for midterm exams missed for any reason. If midterm exam is missed its weight will be shifted to the final exam according to the following approach:

1 missed midterm exam	–	40% weight of the final exam.
2 missed midterm exams	–	60% weight of the final exam.

The Lowest Score for the Midterm Can Be Dropped

The midterm exam with the lowest score will be dropped in the case when:

(a) The student was present at both midterm exams.

and

(b) The student's final course grade would have been higher if one of the midterm exams had been missed and its weight shifted to the final exam.

Otherwise, the actual result for the lowest score midterm exam will be counted.

If both midterm exams are missed, I reserve the right to request justification of student's absence and give zero grade for unjustified misses.

Midterm exams' duration is 80 minutes each. If a student is present in the exam room and the exams have been distributed, they are considered to be taking the exam. In this case the grades will not be redistributed to the final exam even in case of leaving the exam early.

Midterm exams are non-cumulative. Each covers only the designated part of the course and does not include material from the previous parts.

Final exam policy

Students must take the final exam. The final exam is comprehensive. It includes all material studied in the semester. The duration of the final exam is 3 hours. It will be scheduled following the UIUC requirements published below:

<https://registrar.illinois.edu/faculty-staff/final-exam-scheduling/>

The general University policy on final examinations can be found here:

<https://studentcode.illinois.edu/article3/part2/3-201/>

Bear in mind that since Fall 2025 'ABS' is no longer a grade option at UIUC. Therefore, absence from a final examination is reported as a final grade of 'F' in the course and counts as a failure.

General exam policy

All exams are closed book exams and no outside materials (like notes, textbooks, cell phones, smartwatches, laptops, other devices connected to the Internet) are permitted in the exam room. Breaking the above requirement will be considered as a violation of the Academic Integrity policy of the University (see below) and will be subject to disciplinary action. The penalty for violating the rules and policies stated in this syllabus may range from getting a 0 on the exam to failing the course.

Cell Phones and Smartwatches

Cell phones and smartwatches are not permitted in the vicinity of where you are taking the exam. If an instructor or a TA sees your cell phone or smartwatch, you will be considered to be cheating.

Exam assignment forms, Scantron forms and scratch paper (if necessary) will be provided. Students are only allowed to have a pencil or a pen and calculator with them in the exam room.

All exams are a combination of multiple-choice questions and problems to be solved.

Students must have their student IDs during exams. In order to complete the exam form students will have to put in their Name, UIN and Net ID. If any of these are missing, a student will be penalized, and the exam score will be dropped.

By taking an exam students consent to be video and audio recorded while in the examination room.

Assignment policy

Students will have to submit 6 problem bundles accounting altogether for 20% of the overall grades. The bundles include typical problems in the field of monetary economics and monetary theory of a computational and analytical nature. These bundles are to be submitted online on Canvas on the due date. Problem bundles will not be accepted after the deadline.

Assignments will be available online on the course Canvas site. Each new Problem Bundle will be posted on the site approximately one week before it's due.

Problem bundles are out of 3 points each and will be graded using the following approach:

- 3 – problems are solved completely. At least 90% of the answers are correct or on the right track.
- 2 – problems are solved almost completely. At least 50% of the answers are correct or on the right track.
- 1 – problems are solved incompletely. More than half of problems are not solved, contain missing parts or are on the wrong track.
- 0 – no or late submission.

While summing up the Problem bundle total score the worst bundle result will be dropped. Thus, only 5 of 6 bundles will actually count.

Problem bundles due dates:

Bundle	Due Date	Day	Venue
Problem bundle 1	Sep 15	Tuesday	Online – Canvas
Problem bundle 2	Sep 29	Tuesday	Online – Canvas
Problem bundle 3	Oct 9	Friday	Online – Canvas
Problem bundle 4	Oct 27	Tuesday	Online – Canvas
Problem bundle 5	Nov 6	Friday	Online – Canvas
Problem bundle 6	Dec 8	Tuesday	Online – Canvas

Students are encouraged to work in teams with their classmates on problem bundles as well as during their preparation for exams. However, they should submit their own solutions. Solutions having identical wording will get no credit. Remember, I cannot grade assignments that I cannot read. Thus, all assignments must be legible. Students are free to choose the form of submitting their problem bundles: it can be either computer typed and printed afterwards or handwritten. If a student is not sure about their handwriting accuracy, they are strongly recommended to type.

Submission of Files

Students are free to choose the form of submitting their solutions: they can be either computer typed or handwritten (scanned / snapshot afterwards). If one isn't confident about the handwriting accuracy, they are strongly recommended to type.

Whatever form is chosen students must submit **.PDF files only**.

If typed, the document must be converted to .PDF file. If handwritten, all scanned pages or snapshots must be combined in a single .PDF file before submitting.

Each Problem Bundle must be combined as one .PDF document. For every assignment the system can accept only one uploaded file.

Students must always embed their name in the name of the file they submit.

Quiz policy

Students will have to submit 16 online quizzes. They consist of multiple-choice questions and altogether they account for 20% of the overall course grade. Each quiz is expected to cover the material of each of the 16 lessons scheduled for this course. They enable students to catch up in advance and get well prepared for midterm and final exams, since the quizzes contain questions that can be regarded as a representative sample of those included in exams.

Quizzes can be found on the course Canvas site. They are open for a week (from Monday to Sunday) following the week when the respective lesson is completed. The deadline is every Sunday until 11:59 pm. Students will have infinite number of attempts for each quiz and a time limit of 30 minutes for each attempt. Only one of the attempts with the highest score will be counted. The total result for quizzes will be computed as the simple average of 16 quizzes with the lowest score quiz being dropped. Thus only 15 results will be considered.

For students' convenience, two sets of quizzes are offered: graded quizzes described above and practice quizzes. The two sets are very similar; however, practice quizzes do not have deadlines and remain available until the end of the semester. The purpose of the practice quizzes is to provide additional opportunities for review after the deadlines for the graded quizzes have passed. Once a graded quiz deadline has expired, the quiz can no longer be completed (either for credit or for practice). In contrast, practice quizzes remain accessible until the end of the semester and may be used to prepare for the final or midterm exams.

There is no make-up for quizzes: on the one hand a week is normally enough to take them and on the other hand 80% (grades without quizzes) is enough to get the full credit

for the semester.

Students should be mindful that some lessons are taught during two or even three classes that may not fall on the same week. Respective quizzes will be available only after the lesson is completed. Thus, in few cases there may be a week free of a quiz and some weeks may have 2 quizzes.

The last quiz of the semester is usually available for a shorter time window (less than a week) due to the course timeline. Students should monitor Canvas for details.

Using Correct Names

When submitting any assignment (e.g., an exam, homework, etc.), students must use their names exactly as they appear on the class roster to avoid identification and grading confusions.

Extra credit policy

Extra credit grades come from class participation which may include a wide variety of activities like answering controversial questions, debating on issues considered, arguing some points, essay writing, analytical assignments and even asking well-aimed accurate questions during the class. The overall extra credit grades can account for no more than 5 points.

The idea behind this is that I strongly encourage dialogue since it is essential to your understanding of material and to your final success in the course. Even asking simple questions may often help you to identify what you understand well and what you do not understand. On the other hand, this will enable me to determine crucial areas to be paid more time to.

Grading and regrading policy

All assignments and exams are graded within a week and the results are posted on Canvas accordingly. Feedback and comments on Problem bundles are returned to students through Canvas.

Midterm exams are returned to students upon request and can be picked up from my office during office hours. It is the student's responsibility to pick them up if needed. To make this process faster and more efficient, students are strongly recommended to email me in advance, clearly indicating which specific assignment and / or exam they would like to collect. That will allow me to have the coursework ready for pickup.

All requests for regrading must be submitted no later than one week after the score for the assignment or exam is posted. The request must be in writing, and it must provide a detailed summary of why the student believes the grade received was incorrect. In the case of regrading the whole exam (other assignment) will be regraded consequently resulting in either possible increase of grades or their decrease. Hence, I recommend that students apply for regrading only based on the well-considered and weighted

approach, when they are really sure the grades were incorrect.

Extension policy

There are no extensions or extra assignments in this class. The policies apply equally to all students.

GENERATIVE AI POLICY

Generative AI tools, including openAI ChatGPT, Google Bard, Microsoft Copilot/Bing Chat, and the like are generally not permitted in this class. This uppermost refers to activities that imply grading, like quizzes, problem bundles, midterm exams, and final exam. Use of these tools will be considered academic dishonesty and violation of academic integrity.

Any work written, developed, created, or inspired by artificial intelligence is considered plagiarism and will not be tolerated. While these new developments will find their place in our workforces and personal lives, this kind of technology does not belong as we are learning. The use of AI robs us all of the opportunity to learn from our experiences and from each other, to learn to synthesize and analyze sources and concepts, and to contribute our ideas in authentic ways.

However, use of generative AI tools may be regarded as exceptions and are allowed for the following and / or similar activities:

- drafting an outline to organize students' thoughts and ideas;
- searching information and data they need;
- improving students' research questions;
- brainstorming and refining their ideas;
- shortening student's own text (where appropriate);
- proofreading student's own text grammar, spelling and style;
- testing and practicing students' knowledge of course topics.

When using generative AI, students are recommended to keep a journal documenting prompts, AI responses, and the usage. Students may use the APA style guide to site generative AI. Remember, a generative AI conversation in and of itself is not a valid source for facts. Students should always work to find, verify and cite the original source of ideas, rather than citing the AI directly.

When using online services, including generative AI platforms, students must realize that companies may store, share, or sell their data. They should be wary of sharing private personal information and learn to develop safe online habits.

ACADEMIC ASSISTANCE

Students are encouraged to utilize the many resources we have throughout campus to assist with academics. I recommend that students seek them out starting early in the semester, not just in times of academic need, in order to develop good study habits and submit work which represents their full academic potential. Many resources are found on the Economics Website including details about the Economics Tutoring Center,

Academic Advising, and other academic support options:

<https://economics.illinois.edu/academics/undergraduate-program/academic-student-support>

ACADEMIC INTEGRITY

According to the Student Code, 'It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.' Please know that it is my responsibility as an instructor to uphold the academic integrity policy of the University, which can be found here:

<https://studentcode.illinois.edu/article1/part4/1-401>

Academic dishonesty may result in a failing grade. Every student is expected to review and abide by the Academic Integrity Policies. It is their responsibility to read this policy to avoid any misunderstanding. Do not hesitate to ask the instructor(s) if you are ever in doubt about what constitutes plagiarism, cheating, or any other breach of academic integrity. Read the full Student Code at <https://studentcode.illinois.edu>

STUDENTS WITH DISABILITIES

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), or e-mail a message to disability@illinois.edu. DRES Website: www.disability.illinois.edu

COMMUNITY OF CARE

As members of the Illinois community, we each have a responsibility to express care and concern for one another. If you come across a classmate whose behavior concerns you, whether in regards to their well-being or yours, we encourage you to refer this behavior to the Student Assistance Center (217-333-0050 or <http://odos.illinois.edu/community-of-care/referral>). Based on your report, the staff in the Student Assistance Center reaches out to students to make sure they have the support they need to be healthy and safe. Further, we understand the impact that struggles with mental health can have on your experience at Illinois. Significant stress, strained relationships, anxiety, excessive worry, alcohol/drug problems, a loss of motivation, or problems with eating and/or sleeping can all interfere with optimal academic performance. We encourage all students to reach out to talk with someone, and we want to make sure you are aware that you can access mental health support at the Counseling Center (<https://counselingcenter.illinois.edu>) or McKinley Health Center (<https://mckinley.illinois.edu>).

For mental health emergencies, you can call 911 or walk into the Counseling Center, no appointment needed.

DISRUPTIVE BEHAVIOR

Behavior that persistently or grossly interferes with classroom activities is considered disruptive behavior and may be subject to disciplinary action. Such behavior inhibits other students' ability to learn and an instructor's ability to teach. A student responsible for disruptive behavior may be required to leave class pending discussion and resolution of the problem and may be reported to the Office for Student Conflict Resolution for disciplinary action.

EMERGENCY RESPONSE RECOMMENDATIONS

Emergency response recommendations can be found at the following website:

<http://police.illinois.edu/emergency-preparedness>

I encourage you to review this website and the campus building floor plans website within the first 10 days of class.

<https://police.illinois.edu/em/building-emergency-action-plans>

RELIGIOUS ACCOMMODATIONS

Students requesting a religious observance accommodation must fill out the 'optional resource' form found at <https://odos.illinois.edu/resources/students/religious-observances>, and send a copy of the form they receive after submission to the instructor by the end of the third week of classes. All assignment due dates are listed in the syllabus; it is the student's responsibility to read the syllabus thoroughly and make all requests before the deadline. In the case of exams or assignments first announced after this period, students must submit the form to the instructor as soon as possible but no later than three days after the assignment or exam is initially announced.

Religious Observance Calendar can be found here:

<https://calendars.illinois.edu/list/6732>

FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT (FERPA)

Any student who has suppressed their directory information pursuant to Family Educational Rights and Privacy Act (FERPA) should self-identify to the instructor to ensure protection of the privacy of their attendance in this course. See <http://registrar.illinois.edu/ferpa> for more information on FERPA. Student information and records will not be released to anyone other than the student unless the student has provided written approval or as required by law.

SEXUAL MISCONDUCT REPORTING OBLIGATION

The University of Illinois is committed to combating sexual misconduct. Faculty and staff members are required to report any instances of sexual misconduct to the University's Title IX and Disability Office. In turn, an individual with the Title IX and Disability Office will provide information about rights and options, including accommodations, support services, the campus disciplinary process, and law enforcement options. A list of the designated University employees who, as counselors, confidential advisors, and medical professionals, do not have this reporting responsibility and can maintain confidentiality,

can be found here: <http://www.wecare.illinois.edu/resources/students/#confidential>

Other information about resources and reporting is available here:
<http://wecare.illinois.edu>

STUDENT SUPPORT

The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. Please visit their website to find valuable resources and services: <https://counselingcenter.illinois.edu>

Counseling Center Information

217-333-3704

Location: Room 206, Student Services Building (610 East John Street, Champaign IL)

McKinley Mental Health Information

217-333-2705

Location: 3rd Floor McKinley Health Center (1109 South Lincoln, Urbana, IL)

Emergency Dean

The Emergency Dean may be reached at (217) 333-0050 and supports students who are experiencing an emergency situation after 5 pm, in which an immediate University response is needed, and which cannot wait until the next business day. The Emergency Dean is not a substitute for trained emergency personnel such as 911, Police or Fire. If you are experiencing a life-threatening emergency, call 911. Please review the Emergency Dean procedures: <http://odos.illinois.edu/emergency>

ACADEMIC DATES AND DEADLINES

Students should make note of important academic deadlines for making changes to their courses (add, drop, credit/no-credit, grade replacement, etc.).

<https://registrar.illinois.edu/academic-calendars>

Please check with the Department of Economics regarding specific procedures and policies.

** I reserve the right to make amendments to this syllabus with prior notice and posting of relevant changes on the course Canvas site.*

*** I apologize for any inaccuracies, discrepancies and mishaps that may appear on the course Canvas site or in any course materials. Please report to me anything unusual you will come across.*

GOOD LUCK WITH ECON 516!

COURSE SCHEDULE (SUBJECT TO CHANGE WITH ADVANCE NOTICE)

Week	Class #	Date	Topic	Main Text
Module 1: Introduction to Money, Monetary Theory and Policy				
1	1	Aug 25	Background of Money, Monetary Theory and Policy Studies	Ch. 1
	2	Aug 27	Money and Monetary Aggregates	Ch. 3
2	3	Sep 1	Multiple Deposit Creation and Money Supply Factors	Ch. 14
	4	Sep 3		
3	5	Sep 8	Conventional and Unconventional Monetary Policy	Ch. 15, Lect.
	6	Sep 10		
Module 2: Money and Interest Rates				
4	7	Sep 15	Discounted Cash Flow Model and Yield to Maturity	Ch. 4, lect.
	8	Sep 17		
5	9	Sep 22	Linear and Nonlinear Analysis of the Price-Yield Relationship	Lecture
	10	Sep 24		
6	11	Sep 29	Demand and Supply of Credit. Equilibrium Interest Rates	Ch. 5
	12	Oct 1	Term Structure of Interest Rates and Yield Curve	Ch. 6, Lect.
7	13	Oct 6	Intertemporal Macroeconomic Effects of Interest Rates	Lecture
	14	Oct 8		
8	15	Oct 13	MIDTERM EXAM 1 (MODULES 1 & 2)	
Module 3: Money and Aggregate Macroeconomic Activity				
8	16	Oct 15	Quantity Theory of Money vs Keynesian Liquidity Preference	Ch. 19
9	17	Oct 20	IS-LM Model of Macroeconomic Equilibrium	Ch. 20, Lect.
	18	Oct 22		
10	19	Oct 27	Macroeconomic Equilibrium in AS-AD Model. Aggregate Demand and Supply Analysis	Ch. 22, Lect.
	20	Oct 29		
11	21	Nov 3	IS-MP Mode: An Updated Equilibrium Framework	Ch. 21
	22	Nov 5		
12	23	Nov 10	MIDTERM EXAM 2 (MODULE 3)	
Module 4: Money and Inflation				
12	24	Nov 12	Views of Inflation and Inflationary Monetary Policy	Ch. 23
13	25	Nov 17		
	26	Nov 19	Phillips Curves	Lecture
14		Nov 24	Fall Break – No classes	
		Nov 26	Fall Break – No classes	
15	27	Dec 1	Phillips Curves	Lecture
	28	Dec 3	Sticky Prices and New Keynesian DSGE Model	Ch. 22, lect.
16	29	Dec 8		
	30	TBD	FINAL EXAM (CUMULATIVE)	