

ECON 516 **Monetary Theory**

Course Syllabus

Credits: 3 undergraduate hours, or 4 graduate hours

Semester: FALL 2021

Meeting Times: M W 9:30 am to 10:50 am ONLINE

Instructor: Pedro Elosegui

Email: elo@illinois.edu

Office Hours: M W – 4 pm ONLINE

Site: @ compass.

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.

Course Objectives

The purpose of this course is to introduce you to the major theoretical issues in monetary (and macro) economics that generates implications for policy decisions and policy assessment relating to interest rates, prices, output, and unemployment. Most of the course topics will be developed in the context of the historic evolution of ideas and applied to actual examples. This approach may not only provide more context, placing various theories within the broad and long debate between representatives of the Classic and Keynesian paradigms, but should also facilitate the understanding and importance of each individual contribution to the current body of knowledge that generally informs policy makers around the world. Also, the course will analyze actual monetary policy implementation and related challenges through country cases. Finally, a group assignment will allow students to actually analyze and present a country case to the class.

Prerequisite: Consent of instructor. MSPE Graduate Student Standing.

The course grade will be determined by your performance on the following:

Group assignment: 30% Mid-term: 30% Final Exam: 40%

Recommended textbooks for background reading & lecture support (see separate, detailed reading list):

- Macroeconomics, A. Abel, B. Bernanke, D. Croushore
- Macroeconomics (e-book), Doepke, M., Lehnert, A., Sellgren, A., & Barro, R. J. (1999). (Download at <https://faculty.wcas.northwestern.edu/~mdo738/book.htm>)

- Monetary Economics, M. Lewis and P. Mizen
 - Monetary Theory and Policy, C. Walsh
 - Monetary Economics, J. Handa
 - Inflation in emerging and developing economies. Ha, J et al (2019). (Download at <https://www.worldbank.org/en/research/publication/inflation-in-emerging-and-developing-economies>)
- Individual academic articles will be used, cited and/or posted throughout the course
 - Lecture slides, notes, media articles for discussion, homework assignments and other supporting material will be posted on the course website:
 - I strongly recommend you to follow current events related to global financial markets, macro and monetary policies. Some exam and homework questions will be related to those events. Among interesting and reputable sites, I recommend <http://www.bloomberg.com> and <http://www.cnbc.com>

Communication and Other Issues.

- Requests for re-graded exams must be handed in no later than one week after the exam is returned.
- Please use e-mail only for short and sporadic communication. Substantive questions, doubts about the material are best answered/discussed in class, during office hours, or special appointments, if needed.
- Given that you will have to work in group in developing and deploying an actual analysis of a country you would like to go further in depth regarding practical issues related to monetary and macro policies, I would be glad to discuss and share experience and material that you are consulting regarding the selected and/or your home country or country of interest. For instance, you can analyze the IMF's assessment and recommendations for your home country as presented in recent reports available at <http://www.imf.org/en/Countries>
- If you have any problems with the course, please inform me as soon as possible - don't fall behind!

Important Dates:

Exams:

Midterm (tbc): Wednesday - October 13th.

Presentations: November 8th and 10th.

Final: Thursday December 16th, 1:30pm-4:30pm.

Course Content

Part One: Introduction and Overview

1. The definition and nature of money
2. Monetary economics overview as an empirical relationship between money, output, and prices

Part Two: Monetary Theory

3. Money in economic models
4. Micro foundations for money demand (CIA; Money in Utility and Overlapping Generation Models).
5. Classical, Keynesian and New Classical Inspiration

6. Dynamic Stochastic General Equilibrium Models – an introduction

Part Three: Open Economy and Fiscal Considerations

7. Monetary and Exchange Rate Arrangements

8. IS-LM in open economy: Fixed v. Flexible ER

9. Some Unpleasant Monetarist Arithmetic – The Role of Expectations and Fiscal Sustainability

10. Additional Implications for Monetary Policy

11. Institutions and monetary policy – time inconsistency

12. Case Analysis

Academic Assistance

Students are encouraged to utilize the many resources we have throughout campus to assist with academics. We recommend that you 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 your 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 your 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. <http://police.illinois.edu/emergency-preparedness/building-emergency-actionplans/>.

Religious Observances

The Religious Observance Accommodation Request form is available at <https://odos.illinois.edu/community-of-care/resources/students/religious-observances/>. Submit the form to the instructor and to the Office of the Dean of Students (helpdean@illinois.edu) by the end of the second week of the course; in the case of exams or assignments scheduled after this period, students should submit the form to the instructor and to the Office of the Dean of Students as soon as possible.

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 your academic department regarding specific procedures and policies.

Course Schedule (subject to change with advance notice)

Week	Date	Topic (tentative)
1	23 August	Course introduction and overview
	25 August	1
2	30 August	1
	1 Sept	2
3	6 Sept	No CLASS – Enjoy your Labor Day
	8 Sept	3
4	13 Sept	3
	15 Sept	4
5	20 Sept	4
	22 sept	5
6	27 Sept	5
	29 Sept	6
7	4 Oct	6
	6 Oct	7
8	11 Oct	Q&A
	13 Oct	Midterm
9	18 Oct	7
	20 Oct	8
10	25 Oct	8
	27 Oct	9
11	1 Nov	9
	3 Nov	10
12	8 Nov	Class Presentations
	10 Nov	Class Presentations
13	15 Nov	11
	17 Nov	11
14	22 Nov	NO Class – Enjoy your Thanksgiving Vacation
	24 Nov	NO Class – Enjoy your Thanksgiving Vacation
15	29 Nov	11
	1 Dec	12
16	6 Dec	12
	8 Dec	Q & A. Instruction Ends
	16 Dec	Final Exam – 1:30pm-4:30pm. Thursday.