

Professor Ricardo Bebczuk
University of Illinois at Urbana-Champaign

Spring 2024
MSPE Program

ECON 517: Monetary Theory
Tuesday-Thursday – 2:00PM-3:20PM
Room 333 Armory

Course Syllabus

Course Objectives:

This course seeks to highlight and discuss the empirical foundations of monetary policy and banking system regulations, as well as the impact of banks and monetary policies on short- and long-term economic growth. The course has a clearly applied focus. After reviewing the underlying analytical framework, full attention will be paid to descriptive and econometric evidence from both developed and developing countries that will often defy common knowledge in the policy arena. In addition, current events will be used as a trigger for the application of concepts and/or data introduced in class.

Contact Information:

My office is located in David Kinley Hall, Room 208. My email (and preferred contact) is bebczuk@illinois.edu. I will respond to your emails promptly, and will be accessible to answer questions throughout the semester. My regular office hours are Tuesday from 3:30PM to 4:30PM and Wednesday from 11:00AM to 12:00PM, but you may set up appointments to meet with me, when possible, at other times.

Grades

The final score is the weighted average of:

Midterm (03/05/2024 at 2:00PM, in class) – 50%

Final (time and room TBD) – 50%

The final score, on a 0-100 scale, will be converted into a letter grade as follows:

Numerical Grade	Letter Grade
90-100	A+
85-89	A
80-84	A-
75-79	B+
70-74	B
66-69	B-
60-65	C+
55-59	C
50-54	C-

Practice Tests

In preparation for the midterm and final exams, we will regularly do practice tests throughout the semester. These practice tests will have the same format and level of difficulty as the actual tests, so they will be a helpful self-assessment tool. Unlike the actual exam, you will have unlimited attempts and the test will be available on Canvas throughout the semester. These tests will be administered through the Canvas page, and will get an explanation for the correct answer after your first attempt. They will not count towards your grade for the course. Please feel free to contact me if you have any questions.

Required materials

The course will not strictly follow any particular textbook, and therefore class lectures, and the references cited therein, are required reading. Needless to say, in light of such approach, attendance and attention in class (plus participation through questions and comments) are particularly critical for your grasping of the material and your performance on this course. All materials will be posted to the Canvas page.

Over and beyond the above, and despite the differences in the thematic order, presentation and emphasis, it is strongly recommended to reinforce your full understanding of the lecture notes with these or similar textbooks:

Bebczuk Ricardo (2003), *Asymmetric Information in Financial Markets: Introduction and Applications*, Cambridge University Press. This book will be the primary reference for the better part of Units 1-4 and I will share a complete pdf file during the first week of class.

Hubbard Glenn (2008), *Money, the Financial System and the Economy*, 6th edition, Pearson, Addison Wesley Publishing.

Mishkin Frederic (2021), *The Economics of Money, Banking and Financial Markets*, 13th edition, Pearson, Addison Wesley Publishing.

Please notice that these textbooks do not cover all the topics nor follow necessarily the same approach of the course, but in some cases you will find them quite useful.

List of Topics

1. Introduction. Monetary policy channels with and without information frictions in financial markets.
2. Monetary policy and macroeconomic stabilization (I). A review of the empirical determinants of aggregate demand in the short-run.
3. Monetary policy and macroeconomic stabilization (II). A review of the empirical determinants of prices in the short-run.
4. The empirical effectiveness of monetary policy around the world. Measurement challenges, approaches and results.
5. Bank regulation. Capital requirements. Liquidity requirements. Macroprudential regulations. Stress tests.
6. Financial crises: Origins, consequences and resolution. Policy lessons.
7. Financial development and economic growth. Credit and payment services. Causality.