COURSE SYLLABUS

ECON 4100: Monetary Economics
University of Georgia
Spring 2016
Classroom: Correll Hall 124
Mid-term exam: Thursday, March 3
Final exam: go here for schedule

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The course: Of all the institutions that have evolved to facilitate human interactions, money is certainly one of the most important. Throughout history, money has made it easy for people to specialize, produce, trade and prosper in the face of scarcity; without money, the world would be a very different (and poorer) place. Yet, it is often misunderstood. This course is an introduction to the economics of money and monetary institutions. We will carefully define money and explain its functions, examine its history and evolution, and use the basic theoretical tools of economics to understand its importance and influence on our everyday lives. And because governments are now essential players in the monetary system (for good or bad), we will cover the basics of monetary policy: the attempt by the government to manipulate the quantity of money and interest rates to stabilize the economy and to prevent – or mitigate – the effects of financial crises.

This course has some common components with, but differs significantly from, Financial Institutions & Markets (FINA 4000), offered by the Finance Department. Whereas that course covers the details and diversity of real world financial markets, instruments, institutions, and management, we focus on the role of money in the payments system and the macroeconomic implications of monetary policy, and ignore most of the complexities of real world markets. Both courses are beneficial to students interested in understanding how money, credit markets and institutions function, and the role they play in the economy.

Course pre-requisites: ECON 4010 or ECON 4020

Reading: The two books assigned for this class are meant to supplement the course material to be covered in class. Readings in these books do not necessarily correspond directly to the course material, but should help deepen your understanding of that material. To keep costs down, I have selected relevant chapters from the textbook to be delivered online via Pearson Collections: Hubbard and O’Brien, Money, Banking and the Financial System. Go here for direct purchase, or here to redeem an access code purchased from the bookstore. For the latter option, you may need to provide the bookstore with the following ISBN: 1269489216. If you already have a Pearson user account, sign-in with your username/password; if you do not, you will be asked to create one. The Course Information folder on the course homepage includes a guide to using the online text. The second assigned book is Milton Friedman, Money Mischief: Episodes in Monetary History, 1994. Relevant readings in both books are provided in the course outline below. The reference list following the outline contains readings related to the writing assignment, also described below.
Grading: The final course grade will be a weighted average of your performance on a mid-term exam (35%), a comprehensive final exam (45%), in-class quizzes (10%), and an out-of-class assignment (10%). I don’t use a fixed grading scale to assign final letter grades; instead, I assign those grades based on my overall assessment of the distribution of final numerical course grades. From past experience in similar courses, it is typical for letter grades to reflect a distribution slightly more generous than a 10-point scale.

Exams, quizzes, out-of-class assignment:

1. The mid-term and final exams will consist of short-answer type questions and problems. Before each of these exams, I will assign a homework problem set for study purposes. I will not grade these problem sets, but they will be in the same style as the exams and will help guide your preparation. The mid-term will be administered during the class period on the date noted at the beginning of this syllabus. The final exam is a three-hour exam and covers all course material. The date and time of the final is also given at the top of this syllabus.

2. The quizzes will be short – five questions or so in the multiple-choice/fill-in-the-blank style – and based on recently covered class material. They will be unannounced and randomly scheduled, and must be taken in class when they are given. Please bring paper and pen/pencil to each class in preparation for these quizzes. When I calculate the final course grade, I will drop your lowest quiz score.

3. For the out-of-class assignment, you are to summarize – in your own words – four of the articles in the reference list at the end of this syllabus, two from the section on Monetary Theory and two from the section on Monetary Policy. Each summary should be limited to no more than one (single-spaced) page. Submit the completed assignment as a single file (pdf preferred) with a title page, and four pages containing your summaries. The title page should have your name, date, and table of contents with the title of each article summarized. The summary should give the purpose of the paper, the basic ideas and main conclusions. The assignment should be submitted through the Dropbox in the Tools menu at the top of the course home page, no later than Wednesday May 4 at 5p.

Attendance and make-up policy: I expect regular class attendance. I will not call roll, but the quizzes are intended to increase the cost of absences. There are no make-ups for quizzes or the mid-term exam. If you miss the latter, I will add the weight of that exam to the final exam. You must take the final exam at the scheduled time unless you have a documented personal illness or family emergency, or a final exam conflict. I will closely adhere to UGA’s policy on exam conflicts.

Course home page: The course home page on eLC contains essential information for the course. I will post announcements and homework sets there, and will make my overhead slides available. I provide these slides as a convenience to you, but may choose to skip some slides or cover material in class not on the slides. If there is an unclarified conflict between
slides and lectures, lectures dominate. You should check the course page routinely during
the semester. Please sign up for e-mail and/or text notifications of announcements.

**Course outline:** (with suggested reading)

1. Money and the payments system
     and the Payments System” (pp. 1-13)
   - Milton Friedman. *Money Mischief*, Chapters 1 and 2 (pp. 8-17)

2. Money and inflation
   - Hubbard and O’Brien: “Money and the Payments System” (pp. 14-27); “Interest
     Rates and Rates of Return”
   - Milton Friedman, *Money Mischief*, Chapters 2 (pp. 17-50), 8, and 6

3. Money and banking
   - Hubbard and O’Brien: “The Economics of Banking” (pp. 21-29); “The Federal
     Reserve and Central Banking”

4. The theory of money supply determination
     Supply Process”

5. Strategy and conduct of monetary policy
   - Hubbard and O’Brien. “Monetary Policy”; “Monetary Theory I: The Aggregate
     Demand and Aggregate Supply Model”; “The International Financial System
     and Monetary Policy”
   - Milton Friedman, *Money Mischief*, Chapter 10

**References**

*Monetary theory*


George Selgin and Lawrence H. White, *How Would the Invisible Hand Handle Money?*,

George Selgin. *The rise and fall of the gold standard in the United States*, *Cato Institute
Policy Analysis*, 2013

Angela Redish. *Anchors aweigh: the transition from commodity money to fiat money in


*Monetary Policy*


Academic honesty: I expect all students in this course to fully understand and comply with UGA’s culture of academic honesty: As a University of Georgia student, you have agreed to abide by the University’s academic honesty policy, “A Culture of Honesty,” and the Student Honor Code. All academic work must meet the standards described in “A Culture of Honesty” found at: www.uga.edu/honesty. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

This syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.