

**CBN COLLABORATIVE POSTGRADUATE PROGRAMME
DEPARTMENT OF ECONOMICS, UNIVERSITY OF NIGERIA NSUKKA
WORK PLAN**

NAME OF LECTURER:

COURSE: ECO 523 MONETARY THEORY AND POLICY I

STUDY WEEK	TOPIC SUB-TOPIC	RESULTS LEARNING	TIME Hrs	METHODS	Suggested Videos
1 - 2	<p>1.0 INTRODUCTION: Issues in Monetary Economics</p> <p>1.1 Money: Definition & Functions</p> <p>1.2 Historical Evolution of Money.</p> <p>1.3 The Role of Money in the Macroeconomy.</p> <p>1.4 Changing Paradigms in Monetary Theory.</p>	<p>The student can:</p> <ul style="list-style-type: none"> ✓ Briefly define money. ✓ Identify M1, M2 and broader definitions of money ✓ What are the functions of money? ✓ Briefly explain the historical evolution of money? ✓ Explain the monetary systems. ✓ Differentiate modes of analysis of the economy. ✓ Explain money and other goods in the economy. ✓ What are the stylized facts of a monetary economy? ✓ Explain aggregate demand and supply function for money and other goods in the economy. ✓ Explain supply of nominal and real balances. ✓ Explain general equilibrium in the economy. ✓ Explain neutrality and super-neutrality of money in the economy 	6	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ Personal contact sessions will include: Presentations, Case Study analysis and Quizzes. ✓ Guided study will include text readings and the use of a wide range internet based resources. ✓ Lectures, tutorials and workshop (if any), 	There are many good videos available on the Internet.

		<ul style="list-style-type: none"> ✓ Explain the classical paradigm: identifying the classical group of macroeconomic models. ✓ The Keynesian paradigm and identifying the Keynesian set of macroeconomic models. ✓ Determine which macro paradigm or model must one believe in? 				
3-5	2.0 The Demand for Money 2.1 Classical and Keynes' Theories of the Demand for Money. 2.2 Extensions of Keynes' Approach (Baumol and Tobin-Markowitz). 2.3 Friedman's Restatement of the Quantity Theory of Money. 2.4 Microfoundations of Money: The Representative Agents (Households and Firms). 2.5 The Demand for	<ul style="list-style-type: none"> ✓ Explain the quantity equation. ✓ Identify other variants of the quantity equation. ✓ What are the postulates of the quantity theory? <ul style="list-style-type: none"> I. Transactions approach to the quantity theory. II. Cash balances (Cambridge) approach to the quantity theory. III. Baumol and Tobin-Markowitz Transaction 	9	✓	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ Personal contact sessions will include: Presentations, Case Study analysis and Quizzes. ✓ Guided study will include text readings and the use of a wide range internet based resources. ✓ Lectures, tutorials and workshop (if any), 	<ul style="list-style-type: none"> ✓ quantity theory of money By Jithin Pillai at https://www.slideshare.net/JithinOmanakuttan/tobins-portfolio-balance-approach ✓ you can watch Friedman contribution@ https://www.you

	<p>Money <i>vis- a- viz</i> the Demand for other Commodities.</p> <p>2.6 Introduction to:</p> <p>I. Shopping-Time Models,</p> <p>II. Cash-in-Advance Models (Clower Constraint), and</p> <p>III. Overlapping Generation Model.</p> <p>2.7 Money in the utility functions. Currency Substitution.</p> <p>2.8 Empirical Studies of the Demand for Money</p>	<p>demand model.</p> <ul style="list-style-type: none"> ✓ Explain the transactions demand for money. ✓ Explain the portfolio selection and speculative demand for money. ✓ Explain precautionary and buffer stock demand for money. ✓ What are Friedman’s Contributions to the quantity theory of money? ✓ Explain Friedman’s “restatement” of the quantity theory of money. ✓ Differentiate Friedman and Keynes quantity theory of money demand. ✓ Explain the microfoundation of money. ✓ Define an environment of decentralised exchange. ✓ Explain key assumptions that supports monetary exchange. 				<p>tube.com/watch?v=vY9ufb1c-YY</p> <p>✓</p> <p>ecture note by Shouyong Shi Department of Economics University of Toronto 150 St. George Street, Toronto, Ontario, Canada, M5S 3G7 (email: shouyong@chass.utoronto.ca)</p> <p>http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.579.580&rep=rep1&type</p>
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		<ul style="list-style-type: none"> ✓ To analyse the agents' decisions: <ul style="list-style-type: none"> I. money holder (consumer). II. Producer (firms). Explain the Bellman's equation. ✓ Use the Bellman equation to explain agents' decision. ✓ Using the Bellman equation to derive equilibrium (optimal agents' decision). ✓ Explain the Households demand for and supply for money and other goods ✓ Explain the derivation of the households demand and supply function for money. ✓ Explain the price level of the demand and supply functions ✓ Explain the homogeneity of degree zero of the demand and supply functions. ✓ Explain the firm's demand 				<p>=pdf</p> <ul style="list-style-type: none"> ✓ ind lecture on Shopping model by Henrik Jensen. Major text, refer to Walsh, Chapter 3, pp. 95-111
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		<p>for and supply of money and other goods.</p> <ul style="list-style-type: none"> ✓ Explain money in the production function (MIPF). ✓ Explain money in the indirect production function. ✓ Explain maximization of profits by the firm ✓ Explain the firm's demand and supply functions for money and other goods. ✓ Explain the assumption of Shopping-Time Models. ✓ Explain optimization of Shopping-Time Models. ✓ Explain assumptions and optimisation of Cash-in-Advance Models. ✓ Explain benchmark overlapping generations (OLG) models of fiat money. ✓ Explain optimization without money in the utility function. ✓ Explain medium of payments role of money as a money in the utility function (MIUF). ✓ Explain money in the indirect 				
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		<ul style="list-style-type: none"> ✓ utility function (MIIUF). ✓ Review of empirical evidence and estimating money demand in Nigeria and developing economy. 				
6-8	<p>3.0 The Supply of Money</p> <p>3.1 Definitions of Money Supply/Stock (including the effects of Financial Innovations).</p> <p>3.2 E-money.</p> <p>3.3 Endogenous Money Supply: Credit Creation Process,</p> <p>3.4 The Monetary Base,</p> <p>3.5 Flow of Funds Approach,</p> <p>3.6 Balance of Payments and Money Supply Process,</p> <p>3.7 Fiscal Balance and the Money Supply Process.</p> <p>3.8 Empirical Studies of Money Supply.</p>	<ul style="list-style-type: none"> ✓ Define money supply as a stock variable. ✓ Explain how financial innovation affects money supply. ✓ Explain e-money (bitcoin, libra e.t.c.). ✓ Explain determination of the money supply? ✓ Explain the commercial banks demands for reserves. ✓ Explain the mechanical and behavioural theories of money supply. ✓ Explain the credit supply process ✓ Explain monetary base and interest rate as alternative policy. ✓ Explain loanable fund 	9	✓	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ <u>Personal</u> contact sessions will include: Presentations, Case Study analysis and Quizzes. ✓ <u>Guided</u> study will include text readings and the use of a wide range internet based resources. ✓ Lectures, tutorials and field trip/industrial visit (if any) 	

		<p>theory.</p> <ul style="list-style-type: none"> ✓ Explain the relationship between balance of payments and money supply. ✓ Explain the relationship between fiscal balance and money supply process. ✓ Explain empirical regularities of money supply. 				
9-11	<p>4.0 Money, Prices and Employment 4.1 Money and theories of inflation. 4.2 Monetary control and inflation. 4.3 Money growth and business cycles. 4.4 Theory of interest Rates</p>	<ul style="list-style-type: none"> ✓ Discuss the relationship between money supply and price level. ✓ Explain the expectation-augmented Philips curve. ✓ Explain output and employment in the context of nominal rigidities. ✓ Explain money supply in the New Keynesian (NK) model. ✓ Explain NK price adjustment. ✓ Explain NK business cycle theory. 	9	✓	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ Personal contact sessions will include: Presentations, Case Study analysis and Quizzes. ✓ Guided study will include text readings and the use of a wide range internet based resources. ✓ Lectures, tutorials and field trip/industrial visit (if any). 	There are numerous videos available on the Internet.

		<ul style="list-style-type: none"> ✓ Explain interest rate determination in the NK model. 			
12-13	5.0 Central Banking and Monetary Policy 5.1 Objectives and functions of central banks. 5.2 Monetary Policy: Targets and Instruments (Direct and Indirect); 5.3 Monetary transmission mechanism. 5.4 Theories of central bank independence. 5.5 Central Banks Reaction Functions: 5.6 The implication of the Informal Financial Sector on monetary policy; 5.7 Interest rates and Monetary Policy: 5.8 Interest Rate Rules, 5.9 Term Structure of	<ul style="list-style-type: none"> ✓ Explain the objectives of central banks. ✓ Explain the mandate of central banks. ✓ Explain the functions of central banks. ✓ Explain causes of changes in the central bank's balance sheets. ✓ Explain the monetary policy transmission mechanism and interest rate passthrough. ✓ Explain monetary policy targets: <ul style="list-style-type: none"> ✓ Explain direct and indirect monetary policy instruments. ✓ Explain simple central bank reaction function: <ul style="list-style-type: none"> I. Simple monetary policy 	6	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ <u>Personal contact sessions will include: Presentations, Case Study analysis and Quizzes.</u> ✓ <u>Guided study will include text readings and the use of a wide range internet based resources.</u> ✓ Lectures, tutorials and field trip/industrial visit (if any). 	These are good resources for either chapter 2 or 3.

	<p>Interest Rates; 5.10 Exchange rate and Monetary Policy. 5.11 Financial Regulation. 5.12 Empirical studies on Central banking and Monetary Policy with emphasis on Africa .</p>	<p>rules.</p> <p>II. Taylor type rules.</p> <ul style="list-style-type: none"> ✓ Explain the impact of informal financial sector monetary policy. ✓ Explain the term structure of interest rate. ✓ Explain the relationship between monetary policy and exchange rate. ✓ Explain the role of financial regulation. ✓ Undertake empirical studies in monetary policy and central banking in Nigeria and other developing economies. 				
STUDY WEEKS (1 - 13)						
14.	REVISION WEEK					
15.	FINAL EXAMINATION					