

ECON0045. Money and Banking. Module outline.

Each week, there will first be a one-hour lecture on the general background to the subject.

The lecture will be followed by a one-hour working session, which will introduce the more formal aspects of the module. Note that Worksheets on these aspects are provided; these will not be fully covered in the working sessions, so you will need to work through them on your own as well.

LECTURE TOPICS:

Part I. Banking:

1. Introduction: financial theory and application.
2. The changing character of modern banking.
3. Banks and risk-taking.
4. Motives for excessive risk-taking.
5. Issues in intermediation theory.

Part II. Money and monetary policy.

6. Monetary policy and the two traditions in macroeconomics.
7. Targeting monetary aggregates.
8. Targeting monetary aggregates: the policy and its unwinding.
9. Monetarist theory and the shift to exchange rate targeting.
10. Targeting inflation directly.

WORKSHEET TOPICS:

1. The bank's balance sheet.
2. Liquidity demand and bank runs.
3. Excessive risk-taking: the Equity Multiplier; convexity.
4. Monetary Base, multiple deposit creation, Money Multiplier.
5. The Quantity Theory of Money and Keynes's critique; modeling monetary policy with ISLM; monetarism.
6. Inflation targeting through interest rates.