



EC-440: MONETARY ECONOMICS

Resource Person:	
Email:	
Contact Hours:	
Office Address:	
Programme:	
Section:	
Semester:	
Course Pre-requisites:	
Credit Hours:	
Venue/Day/Time:	
Course URL (if any):	

Course Description:

- This course is designed to provide a foundation for the monetary economics to the students. It will cover topics such as the definitions of money and its role, portfolio choice, financial markets and banks, exchange rate fluctuations, central banks, monetary policy, and the monetary transmission mechanism.
- The main objective of this course is to develop knowledge and skills in solving complex economics problems. From the last three or four decades have seen a remarkable evolution in the institutions that comprise the modern monetary system. The financial crisis of 2007-2009 is a wakeup call that we need a similar evolution in the analytical apparatus and theories that we use to understand that system. This course is an attempt to begin the process of new economic thinking by reviving and updating the monetary thoughts that have become newly relevant.

Course Teaching Methodology:

Lecture and Discussion
Problem solving techniques
Numerical Examples
Interactive Classes
Guest lecture
Class activities
Projects
Presentations



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Programme Educational Objectives (POs):	
PO-1	To produce life-long learners who can adapt themselves according to the dynamic contexts with ease, flexibility, and skillful behavior of learn, unlearn, and relearn.
PO-2	To develop critical thinking, problem-solving, reasoning, and decision-making skills to effectively manage complex business situations among graduates in order to ensure intellectually strong and professionally reliable resources in their field of study and careers.
PO-3	To produce socially responsible professionals who are equally respectable in local and global community due to the observance of ethical and sustainable practices in all they do.
PO-4	To develop future leaders with strong communication and interpersonal skills enabling them to working in and leading teams.
PO-5	To develop tech savvy and T-shaped professionals having capability to understand and emerge successful in managing entrepreneurial, social, political, economic, and legal environments.

Programme Learning Outcomes (PLOs):		
After completing this degree programme, students shall be able to:		
		Mapping the PLOs with POs
PLO-1	Demonstrate competency in the underlying concepts, theory and tools taught in the core undergraduate curriculum.	
PLO-2	Demonstrate effectively oral and written communication.	
PLO-3	A thorough understanding of business and economics frameworks, basic economics theories, modeling and analytical tools with integration of global perspectives i.e. identifying and analyzing relevant global factors that influence decision-making.	
PLO-4	Developing critical and analytical thinking abilities with understanding of managing technological, social, political, economic and legal environments.	
PLO-5	Developing the ability to work in teams with strong interpersonal skills and thorough understanding of people side of the organizations.	
PLO-6	Understanding of the ecosystem of start-ups in the country with the ability to	



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	demonstrate and create business plans.	
PLO-7	An ability to use the quantitative and qualitative techniques, skills, and modern tools related to micro, macro-economics and applied statistics for solving complex problems.	
PLO-8	Developing civic duty minded graduates having compassion towards social, ethical and sustainable business practices.	
PLO-9	An ability to use modern and digital soft-wares for supporting economic and business decisions and projections.	
PLO-10	Having the capability to develop an econometric model.	
PLO-11	Ability to carry out research with a focus on preparing research report on economic problem (s).	

Course Objectives (COs)	
CO-1	To provide a thorough understanding of monetary policy and financial markets
CO-2	To give the comprehension of money and interest rates in the economy.
CO-3	To make a comparison of monetary policy in closed and open economy.
CO-4	To develop the ability to implement their research ideas independently as well as group under the minimal guidance of an Advisor.
CO-5	To analyze the Monetarists' and Keynesian views of money inflation and interest rate.

Course Learning Outcomes (CLOs)		Mapping PLOs, Cos and CLOs
CLO-1	Upon successful completion of the course, the student will be able to: Acquire the basic knowledge of money, money markets and financial markets.	PLO1, PLO2, CO1
CLO-2	UNDERSTAND the transmission mechanism of monetary policy.	PL2, CO2
CLO-3	ABILITY to develop and evaluate monetary policy models •	CO4, PLO4
CLO-4	EVALUATE the monetary policies	CO5, PLO5
CLO-5	DEMONSTRATE the choices and objectives of monetary policy	



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Assurance of Learning and Assessment Items:	
<i>Specify Assessment Items that will assure student learning through application and achieve objectives of specific PLOs / COs / CLOs</i>	
Assessment Item	Application/ Objectives PLO / CO / CLO
Quizzes	All
Assignments	All
Class Activities: (Presentations, Take home problems set, short projects and case study)	All
Mid-term exam	All
Final exam	All

Assessment Structure and Grading Policy*:		
Assessment Item	Weight (%)	Execution Plan
Quizzes	10%	Four-time assessment
Assignments	10%	Four-time assessment
Class Activities, In class exercises (Presentations, Take home problems set)	10%	weekly assessment
Term Paper and presentation	10%	One-time assessment
Mid-term exam	20%	One-time assessment
Final exam	40%	One-time assessment
Total	100	

Notes – Norms and Important Class Policies:
(such as submission guidelines, academic honesty, make-up policy, code of conduct)

- **Be On Time**
You need to be at class at the assigned time. After 10 minutes past the assigned time, you will be marked absent
- **Mobile Policy**
TURN OFF YOUR MOBILE PHONE! It is unprofessional to be texting or otherwise
- **Email Policy**



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READ YOUR EMAILS! You are responsible if you miss a deadline because you did not read your email. Participants should regularly check their university emails accounts regularly and respond accordingly.

- **Class Attendance Policy**

A minimum of 80% attendance is required for a participant to be eligible to sit in the final examination. Being sick and going to weddings are absences and will not be counted as present. You have the opportunity to use 6 absences out of 30 classes. Participants with less than 80% of attendance in a course will be given grade 'F' (Fail) and will not be allowed to take end term exams. International students who will be leaving for visa during semester should not use any days off except for visa trip. Otherwise, they could reach short attendance.

- **Withdraw Policy**

Students may withdraw from a course till the end of the 12th week of the semester. Consequently, grade W will be awarded to the student which shall have no impact on the calculation of the GPA of the student. A Student withdrawing after the 12th week shall be automatically awarded "F" grade which shall count in the GPA.

- **Moodle**

UMT –LMS (Moodle) is an Open-Source Course Management System (CMS), also known as a learning Management System (LMS). Participants should regularly visit the course website on MOODLE Course Management system, and fully benefit from its capabilities. If you are facing any problem using moodle, visit <http://oit.ugt.edu.pk/moodle>. For further query send your queries to moodle@ugt.edu.pk

- **Harassment Policy**

Sexual or any other harassment is prohibited and is constituted as punishable offence. Sexual or any other harassment of any participant will not be tolerated. All actions categorized as sexual or any other harassment when done physically or verbally would also be considered as sexual harassment when done using electronic media such as computers, mobiles, internet, emails etc.

- **Use of Unfair Means/Honesty Policy**

Any participant found using unfair means or assisting another participant during a class test/quiz, assignments or examination would be liable to disciplinary action.

- **Plagiarism Policy**

All students are required to attach a "Turnitin" report on every assignment, big or small. Any student who attempts to bypass "Turnitin" will receive "F" grade which will count towards the CGPA. The participants submit the plagiarism report to the resource person with every assignment, report, project, thesis etc. If student attempts to cheat "Turnitin", he/she will receive a second "F" that will count towards the CGPA. There are special rules on plagiarism for final reports etc. all outlined in your handbook.

- **Communication of Results**

The results of quizzes, midterms and assignments are communicated to the participants during the semester and answer books are returned to them. It is the responsibility of the course instructor to keep the participants informed about his/her progress during the semester. The course instructor will inform a participant at least one week before the final



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examination related to his or her performance in the course.

**Rubrics for all assessments (including mid and final exams) will be provided separately to the students.*

Weekly Sessions Plan:

Week	Topics / Contents	Activity	Application/Objectives PLO / CO / CLO
1	Introduction and Development of Monetary Mechanism • Evolution of Money and Payment System • Definition of Money, Function of Money and Measurement of Money • Demand for Money and Supply of Money.	Discussion, Research Article/s	All
2	Classification of Money , M1, M2, M3, etc. • The Evolution of Monetary Thought, Quantity Theory of Money, Keynesian Tradition, Monetarism and Modern Quantity Theory, Rational Expectation Theory.	Discussion Research Article/s	PLO 1: Business knowledge PLO 6: Global and cultural competence
3	Role of Money in the Economy • Debate on neutrality and non-neutrality of Money • Classical Dichotomy and Keynesian Integration of Nominal and Real Sectors.	Assignment # 1	CLO2 Empirical knowledge PLO 1: Business knowledge
4	• Role of Money in the IS-LM Framework • Money in Aggregate Demand and Aggregate Supply Analysis • Keynesian vs Monetarist views of Equilibrium Output, Employment and Prices.	Group Discussions	PLO 1: Business knowledge PLO 6: Global and cultural competence
5	Theory of Demand for Money • Quantity Theory of Money. • Transaction Theories of Demand for Money.	Lecture Class Activity/ Quiz 1	PLO 6: Global and cultural competence
6	Portfolio Theories of Demand for Money. • Baumol – Tobin Model of Cash Management. • Friedman’s Restatement of Quantity Theory of Money • Empirical Evidence on the Demand for Money	Lecture Assignment No. 2	CLO2 Empirical knowledge PLO 1: Business knowledge
7	The Money Supply Process • Monetary Base • Keynesian Liquidity Preference Framework •	Lecture Group Discussion	PLO 1: Business knowledge PLO 2: Problem solving



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	Friedman’s Modern Quantity Theory of Money •	Quiz 2	PLO 5: Responsible business practice PLO 6: Global and cultural competence
8	Multiple Deposit Creation: Introducing the Money Supply Process. Determinants of the Money Supply: Exogenous and Endogenous. • Understanding Movements in the Monetary Base, Money Multiplier. Velocity of Money and its Variability. • Explaining Depositor and Bank Behavior: the Complete Money Supply Model.	Class Activity Term paper discussion	PLO 2: Problem solving PLO 6: Global and cultural competence
9	MID TERM	-	-
10	The Conduct of Monetary Policy: Central Bank • Structure and Functions of Central Bank. • Independence of Central Bank and its Role in Economic Growth. • Tools of Central Bank for Money Control.	Lecture Discussion	PLO 2: Problem solving CLO-2: How consumers consume throughout the life span.
11	• The Conduct of Monetary Policy: Goals and Targets. • Tools of Monetary Policy and their Comparative Analysis • Impact Analysis of Monetary Policy Tools • Financial Intermediaries • Monetization of Public Debt • Ineffectiveness of Stabilization Policies. • Targeting interest rate and inflation.	Lecture Class Assignment No. 3	PLO 6: Global and cultural competence CLO 3: Research implimentation
12	Money and Interest Rates • Determinants of Interest Rates • Kinds of Interest Rates • Behavior of Interest Rates • Understanding and Measurement of Interest Rates • Real and Nominal Interest Rates •	Lecture Class Activity2	CLO2Empirical knowledge PLO 1: Business knowledge PLO 2: Problem solving PLO 6: Global and cultural competence
13	Theories of Interest Rate Determination • The Risk and Term Structure of Interest Rates • The Distinction Between Interest Rates and Returns • Maturity and Volatility of Bond Returns • Portfolio Choice: Theory of Asset Demand.	Lecture Quiz No. 3	PLO 6: Global and cultural competence
14	Money and Inflation • Inflation, Kinds of Inflation and Causes of Inflation • Demand – pull Inflation, Cost – push Inflation • Stagflation and Hyperinflation. • Inflation as a Monetary Phenomenon. • The Philips Curve and Accelerating Inflation. • Situation Analysis of Inflation in	Class Discussion Class Activity3	CLO2Empirical knowledge PLO 1: Business knowledge PLO 2: Problem solving



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	Pakistan: Historical Perspective • Causes of Inflation in Pakistan • Policies to Combat Inflation in Pakistan		
15	Monetary Policy in International Framework • Money Demand and Empirical Evidences • Money in Growth Models • Inflationary Spiral • Monetary and Financial Sector Reforms • Financial Sector Reforms in Pakistan • Monetary Policy in Fixed and Flexible Exchange Rates • Perfect Mobility of Capital and Money Control • Impact of Reserves on Balance of Pakistan (BOP) and Exchange Rates	Lecture Class Discussion on term paper/presentation	CLO2 Empirical knowledge PLO 1: Business knowledge PLO 2: Problem solving
16	Final Term Examination		

Primary Text Book (s):
<ul style="list-style-type: none"> ➤ Mishkin, Frederic S. The Economics of Money, Banking and Financial Markets. Pearson (11th edition) • ➤ Cecchetti, Stephen and Kermit, Schoenholtz. Money, Banking and Financial Markets. McGraw-Hill.(4th edition). ➤ McCallum, Bennett T. Monetary Economics, Theory and Policy. McMillan. (Latest Edition). ➤ Laider, David E. W. The Demand for Money: Theories, Evidence and Problems. Pearson. (4th edition).

Reference / Supplementary Reading (s):
<ul style="list-style-type: none"> • Miller, R. L. and Van Hoose, D. Money, Banking and Financial Markets. Thomson South-Western (Latest edition). • Patinkin, D. Money, Interest, and Prices: An Integration of Monetary and Value Theory. The MIT Press (Latest edition). • Handa, J. Monetary Economics. Routledge. (Latest edition). "Economic Growth" by Robert Barro and Xavier Sala-i-Martin, McGraw-Hill. 2nd edition.

Useful Online / Web Resources:
<ul style="list-style-type: none"> • Will be provided in class