

## Economics 111 – Monetary Economics

08:00-10:50am, MW, Center Hall 212

Instructor: Michael Bauer  
Office: Sequoyah Hall 235  
Email: mbauer@ucsd.edu  
Office Hours: Wednesdays, 3-4 pm  
Class Web Page: www.aplia.com

### Course Description

Monetary Economics, a field within Macroeconomics, is concerned with the role of money, interest rates and financial markets in a modern economy. The goals and instruments of monetary policy are very closely related to this and therefore figure importantly in most analysis.

The main goal of this class is to make you familiar with how financial markets work. This entails:

- understanding what interest rates really are, how they are determined, and why they're important,
- becoming familiar with the financial system in the U.S. and learning about the recent crisis,
- identifying the determinants of money demand and supply, as well as understanding money creation,
- gaining insight into the workings of the Federal Reserve System, and find out what Ben Bernanke and his people are doing all day – i.e. you will understand what monetary policy is about,
- most importantly, learn about the role of inflation and how high and variable rates of inflation hurt the economy.

### Required Reading

Mishkin, Frederic S. (2007) *The Economics of Money, Banking, and Financial Markets*, 8th ed., Addison Wesley, ISBN 0-321-28726-6

There will be additional reading assignments from the following sources: *The Economist*, *Wall Street Journal*, *New York Times*, *Financial Times*, and others. The assignments will be announced on the course website.

### Homework

Problem sets will be assigned on a regular basis. You are required to use Aplia for these:

Homework assignments – There will be both problem sets and news analyses. Answers are submitted online, the due date for each assignment is clearly stated in Aplia. Note that for each graded assignment there is also a practice assignment which allows you to check your understanding beforehand. In calculating your final grade, I will consider the percentage of questions in each assignment you answer correctly. In order to allow flexibility for students who are sick, who have critical conflicts or who are having computer problems the night an assignment is due, the four homework assignments with the lowest percentage scores will be dropped.

Experiments – I will explain more about the experiments as the dates of the experiments approach. Participation in the experiments is voluntary. However the accompanying assignments count to your grade, just like the other graded Aplia assignments. The assignments related to the experiments will be easier to do if you participate in the experiments. Also let me say that students usually have found it pretty fun to do these experiments.

## Teaching Assistant

Aeimit Lakdawala, alakdawa@ucsd.edu, Sequoyah Hall 233, office hours: Mondays, 3-4pm.

## Exams

There will be one midterm and a cumulative final:

- Midterm: Monday, August 17<sup>th</sup>, in class (9:30-10:30am)
- Final: Friday, September 4<sup>th</sup>, 8:00-11:00am, location TBA

## Grades

Homework (20%), Midterm (30%), Final (50%).

## Administrative Issues

1. If you have a documented disability, please come to talk to me as soon as possible so that I can make suitable accommodations for you. If you believe that you have a disability and desire accommodation, please register with the Office for Students with Disabilities.
2. Students found guilty of academic dishonesty will earn a failing grade for the course. In addition, the Council of Deans of Student Affairs will impose a disciplinary penalty.
3. If you need to miss the midterm for a verifiable medical/legal/sports reason, your midterm grade will be your grade on the final. Failure to notify me promptly that you must miss a midterm will result in a zero grade for that midterm. Unexcused absences will also result in a zero.
4. If you arrive late to an exam, I will allow you to take the exam in the time that remains as long as no one has turned in his/ her exam and left the room. Once a classmate has turned in his/her exam, you will earn a zero on the test if you arrive late.
5. UCSD now has automated waitlists. If you have any questions regarding adding the class, please refer to Triton Link or contact the undergraduate advisors in Sequoyah Hall 245. The Economics Department does not allow late adds (adds after the second week).

## Tips for Doing Well

My recommendations for you on how to do well in the class:

- Work carefully through practice problems in the book and on Aplia, and of course through the homeworks.
- Attend the lectures – listen carefully, take detailed notes and ask questions. If something is unclear to you and you don't want to ask during class, note the question and ask me or the TAs during office hours.
- Read through the relevant book sections and assigned readings. Make notes of questions that come up.
- Follow the news about current economic developments. Discuss and ask questions.

## Outline of the Course

Introduction (chapters 1-3)

Financial markets

Understanding Interest Rates (chapters 4, 5)

The Term Structure of Interest Rates and Risk Premia (chapter 6)

Financial Institutions in the U.S. (chapter 10)

Monetary Policy

The Federal Reserve System (chapter 12)

The Money Creation Process (chapter 13)

The Money Supply (chapter 14)

Traditional Tools and Goals of Monetary Policy (chapters 15, 16)

A New Era of Monetary Policy

Monetary Theory

The Demand for Money (chapter 19)

The Role of Money for Aggregate Demand and Supply (chapter 22)

The Channels of Monetary Transmission (chapter 23)

Money and Inflation (chapter 24)

International Finance and Monetary Policy

The Foreign Exchange Market (chapter 17)

The International Financial System (chapter 18)

## Aplia - Student Registration and Payment Instructions

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Course Name: Economics 111: Monetary Economics, Summer 2009

Start Date: 08/03/2009

Instructor: Michael D Bauer

Course Key: XC3H-SK4K-MEA9

### Registration

If you have never used Aplia before...

1. Connect to <http://www.aplia.com>.
2. Click the New Student link and enter your Course Key: XC3H-SK4K-MEA9. Continue following the instructions to complete your registration.

If you have used Aplia before...

1. Connect to <http://www.aplia.com>.
2. Sign in with your usual e-mail address and password and enter your Course Key when prompted: XC3H-SK4K-MEA9. If you are not prompted for a new Course Key, click the Enter Course Key button to enroll in a new Aplia course. Enter your Course Key when you are prompted.

### Payment

You will need to purchase access to your course from Aplia's website for \$35.00 USD.

If you choose to pay later, you can use Aplia without paying until 11:59 PM on 08/12/2009.