

University of British Columbia
Department of Economics
Econ 345: Money and Banking
Winter 2009-2010, Term 2

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Lecture: MWF, 15:00-16:00
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Course web page: http://www.kryvtsov.com/teaching/Econ_345.htm

Course description

The goal of this course is to learn what money is and understand its effect on welfare of people through banking and financial systems. Course material is naturally divided in two parts. First, we will understand why people use money. Here we will study how prices are determined and where inflation comes from. We will then learn how the quantity of money determines people's willingness to hold money and how it affects their welfare.

Next, we will ask: Why money coexists with assets that give higher return? Answering this question will enable us to understand how banks intermediate assets into money. We will then analyze how the central bank manages the money supply and study the relationship between interest rates and inflation, as well as money and output.

At the end of the course, if time allows, I will cover some selected topics, such as recent global financial crisis and hyperinflation in Ukraine.

Textbooks and reading

The required textbook for the course is *Modeling Monetary Economies*, by **Bruce Champ** and **Scott Freeman** (Cambridge University Press, 2nd edition, 2001). The course will in large follow the book. Homework assignments will in part be given from the book.

Complementary textbook is *The Economics of Money, Banking, and Financial Markets* book by **Frederic Mishkin** and **Apostolos Serletis** (Pearson Education Canada, 3rd edition, 2008). The book is less technical, it is full of data, graphs, and case studies – we will use some of them in class.

Class materials (news, homework assignments, exams, etc.) will be posted on class webpage.

Course requirements and grading

- There will be five homework assignments (5 points each), best **four** of which will count towards the final grade (20 points total)
- **Two** midterm examinations (20 points each, 40 points total)
- Final examination (40 points).

When calculating the total score, the lowest score among the following three: two midterm scores and one half of final exam score will be substituted by the second lowest.

Total score is converted to a grade according to UBC formal grading practices:

90-100: A+	85-89: A	80-84: A-	76-79: B+	72-75: B	68-71: B-
64-67: C+	60-63: C	55-59: C-	50-54: D	0-49: F	

Students are supposed to take midterm exams when scheduled. If they missed or cannot attend the midterm exam on a scheduled date, they must provide a valid reason (e.g., extenuating circumstances or exam hardship). In that case, I will give a make-up midterm exam. Otherwise, missed midterm obtains zero points. Please note that no regarding will be granted if an exam has been written in pencil.