

# THE INSTITUTE OF ECONOMIC AND POLITICAL STUDIES

## CAMBRIDGE

### MONEY AND BANKING

Prerequisites: Introductory Micro and Macroeconomics, Introductory Finance

This course on money, monetary policy and financial institutions will examine the role of money, banks and financial institutions in the macro economy with a particular focus on understanding recent financial crises. The first part of the course focuses on key theoretical contributions and considers the nature and implications of different perspectives on the role of money and the monetary transmission mechanisms. The second part of the course will be more applied and consider the key debates and controversies over the role of money and financial institutions in the progressively integrated global economy.

#### **Theory and debate about the role of money:**

The theory part of the course will consider contributions from different economic paradigms. It will also consider the economic tools required to evaluate the impact of monetary policy.

The topics covered are as follows:

Topic 1: Money in the Classical and Keynesian Models

Topic 2: The Keynesian Analysis of Inflation: The Role of Costs of Production and Import Prices

Topic 3: Friedman's Restatement of the Quantity Theory of Money

Topic 4: Contemporary Monetary Policy: Inflation Targeting and Price Level Targeting

#### **Contemporary controversies:**

The second part of the course critically evaluates the role and impact of money and financial institutions in the modern global economy.

Topic 5: The 1997 South East Asian Financial Crisis and its Lessons

Topic 6: The American Financial Crisis of 2007/8

Topic 7: The Failure of Monetary Policy in the American Subprime Financial Crisis

Topic 8: European Economic and Monetary Union (EMU)

**Reading list:**

Key texts available at INSTEP:

**Blanchard, Olivier (2010), *Macroeconomics*, Fifth edition, Pearson.**

**De Grauwe, P. (2009), *Economic and Monetary Union*, seventh edition, Oxford University Press.**

**Laidler, D. (1993), *The Demand for Money: Theories, Evidence and Problems*, Harper Collins.**

**Mankiw, Gregory (2009), *Macroeconomics*, Seventh edition, Worth**

**Shiller, R. (2009), *The Sub Prime Solution. How Today's Global Financial Crisis Happened and What to do About It*, Princeton University Press.**

**Stiglitz, J. (2002), *Globalisation and Its Discontents*, Norton and Company**

**Other texts recommended by the course tutor as additional weekly readings will be available in the Marshall Library or one line.**

**Methods of Assessment:**

The weekly submission of an essay that is assessed and vigorous class discussion.