

***THE INSTITUTE OF ECONOMIC AND POLITICAL STUDIES***

***CAMBRIDGE***

**MONEY AND BANKING**

Prerequisites: Introductory Micro and Macroeconomics

**Course Description**

This course on money, monetary policy, and financial institutions will examine the role of money in the macroeconomy with particular reference to recent UK and USA experience. Topics covered will include: the transmission mechanism of monetary policy; theories of the demand for money; empirical evidence on the role of money in the economy; and the money supply and its determinants. The course will be amply illustrated from the practice of monetary policy in the UK and USA in recent years. Here, attention will be focused on the rise and fall of monetarism in the UK; changes in British banking; the effects of financial innovation on monetary policy; recent financial crises; and prospects for the future. Attention will be drawn to the significance of the institutional context for the theory and practice of monetary policy.

**Lecture List**

**\* Theory and debate about the role of money**

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

Specific topics include:

- Keynes versus the Classics on the role of money
- The demand for money and the money transmission mechanism
- The supply of money
- Evaluating the impact of monetary policy
- The rise of monetarism and its implementation in the UK
- Alternatives to monetarism

**\* Contemporary controversies**

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

Specific Topics include:

- The globalisation of capital markets
- The structure and impact of global financial architecture
- The lessons from the Asian crisis
- The introduction and impact of the EURO
- The conduct of monetary policy in the UK and the USA – the role of independent central banks
- The successes and failures of the UK financial system

### **Reading List**

Artis, M. & Lewis, M.	Money in Britain
Dennis, G.E.J.	Monetary Economics
Dimsdale, N.H.	‘British Monetary Policy since 1945’ in Crafts & Woodward, The British Economy since 1945
Kitson, M. & Michie, J.	The Political Economy of Competitiveness
Laidler, D.E.W,	The Demand for Money
Smith, D.	The Rise & Fall of Monetarism

### **Method of Assessment**

Weekly readings  
Class discussion  
Mid term take home examination  
Final essay

Note: If enrolment for this particular course is too low for it to be held as a two hour seminar with two required essays per semester it may be possible to run it as a one hour supervision with three essays per semester.