



INSTEP-WFU Cambridge

MONEY AND BANKING

Prerequisites: *Introductory Micro and Macroeconomics*

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 US 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 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 focus 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.

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, EMU and the USA – the role of independent central banks
- Eurozone sovereign debt crisis
- Whether China or America is a currency manipulator
- The successes and failures of the UK financial system

READING LIST

Artis, M. & M. Lewis *Money in Britain*

Blanchard, O. *Macroeconomics*

Cobham, D. *The Making of Monetary Policy in the UK, 1975-2000*

Crafts, N. & N. Woodward *The British Economy since 1945*

Dennis, G. E. J. *Monetary Economics*

Dimsdale, N. H. 'British Monetary Policy since 1945' in Crafts & Woodward, *The British Economy since 1945*

Eatwell & Milgate *The Rise and Fall of Keynesian Economics*

de Grauwe, P. *Economics of Monetary Union 8th Ed*

de Grauwe, P. *Economics of Monetary Union 10th Ed*

Kitson, M. & J. Michie *The Political Economy of Competitiveness*

Laidler, D. E. W. *The Demand for Money*

Ragan, R. *Fault lines; How Hidden Fractures Threaten the World Economy*

Smith, D. *The Rise and Fall of Monetarism*

Wolf, M. *Fixing Global Finance*

METHOD OF ASSESSMENT

Mid semester essay of about 2,500 words

Final semester essay of about 2,500 words

Class discussion and participation