

Monetary Economics

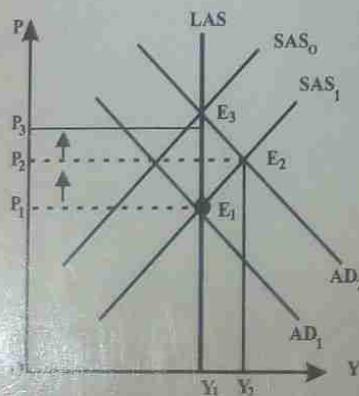
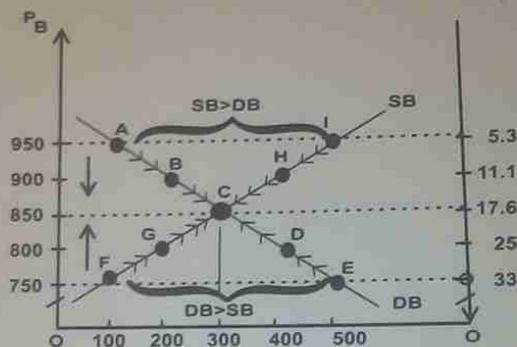
For
BS (Economics)



Prof. David Laidler



Prof. Irving Fisher



A. Hamid Shahid



ILMI

MONETARY ECONOMICS

For

15261

BS (Economics)

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ILMI Monetary Economics BS (Economics)
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1- **Course Outlines Given by HEC (2008), ECON - 405, Monetary Economics and ECON - 311 (UOS)**

- 1- **Introduction and Development of Monetary Mechanism**
Evolution of Money and Payment System. Definition of Money
Function of Money & Measurement of Money. Demand for Money
& Supply of Money. Definitions of Money, M1, M2, M3, L etc.
- 2- **Role of Money in the Economy**
Debate on neutrality and non-neutrality of Money. Classic
Dichotomy and Keynesian Integration of Nominal and Real Sectors.
Role of Money in the IS-LM Frame work. Money in Aggregate
Demand & Aggregate Supply Analysis. Keynesian Vs. Monetarist
views of Equilibrium Output, Employment and Prices.
- 3- **Demand for Money**
Quantity Theory of Money. Transaction Theories of Demand for
Money. Portfolio Theories of Demand for Money. Baumol - Tobin
Model of Cash Management. Friedman's Restatement of Quantity
Theory of Money: Empirical Evidence on the Demand for Money
- 4- **The Money Supply Process**
Monetary Base, Keynesian Liquidity Preference Framework.
Friedman's Modern Quantity Theory of Money. Multiple Deposit
Creation: Introducing the Money Supply Process. Determinants of
the Money Multiplier. Velocity of Money and its variability.
Explaining Depositor and Bank Behaviour: the Complete Money
Supply Model. Regressive Expectation Model.
- 5- **The Conduct of Monetary Policy**
Central Bank Structure and Functions of Central Bank
Independence of Central Bank and its role in Economic Growth.
Tool of Central Bank for Money Control. Monetary Base. The
Conduct of Monetary Policy: Goals and Targets. Tools of Monetary
Policy: Three Major Tools of Monetary Policy: Required Reserve
Ratio. Discount Window Loans and Open Market Operation.
Advantages and Disadvantages and Impact Analysis of each Policy
Tool. Central Bank as a lender of last Resort. Financial
Intermediaries. Monetization of Public Debt. Ineffectiveness of
Stabilization Policies. Targeting interest rate and inflation.
- 6- **Money & Interest Rates**
Determinants of interest rates. Kinds of Interest Rates. The Behavior
of Interest Rates. Understanding & Measuring the Interest Rates. Real
& Nominal Interest Rates. Theories of Interest Rate Determination.
The Risk and Term Structure of Interest Rates. The Distinction
between Interest Rates and Returns. Maturity & Volatility of Bond
Returns. Portfolio Choice: the Theory of Asset Demand.
- 7- **Money and Inflation**
What is Inflation & Causes of Inflation? Demand-pull Inflation.
Cost-push Inflation.

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Monetary Phenomenon. The Philips Curve and Accelerating Inflation. Inflation in Pakistan: Sources and Managing Policies. Sources of Inflation in Pakistan: Spiracle Evidences. Policies to Combat Inflation in Pakistan.

Monetary Policy in International Framework

- 8- Money Demand and Empirical Evidences. Money in Growth Models. Inflationary Spiral. Current Issues in Monetary and Financial Sector Reforms. Conduct of Monetary Policy in Fixed and Flexible Exchange Rates. Perfect Mobility of Capital and Money Control. Effectiveness of Policy. Impact of Reserves on B.O.P. and Exchange Rates. Targeting exchange rate. Managed Exchange Rate System and Monetary Policy. Targeting Inflation. Exchange Rate and Balance of Payment.

2- **Course Outlines EC - 463: Monetary Economics QAU, Islamabad and BUST (2019)**

Functions of monetary authority. Definitions of money and monetary aggregates. Theories of money demand. Determination of money supply. Role of money in macro models. Conduct of monetary policy (goals, instructions, targets and indicators) and central bank. Money, inflation and unemployment. Money market instability and economic performance. Money seigniorage and welfare.

3- **ECON-304 ECONOMICS OF MONEY AND BANKING (For BZU Multan)**

Money and its functions; kinds of money; evolution of monetary system; Monetary Standards; Monetary Aggregates; Demand for money: meaning of holding money; demand for money: and recent development of theories in demand for money; Quantity theory of money; Supply of Money: Definition of supply of money (M1; M2; M3); exogenous and endogenous determinants of money supply; Money Multiplier; Deposit Multiplier; Credit Multiplier; Central bank as monetary base; Banking: Commercial bank: structure and functions of commercial banks; money / credit creation. Functions of commercial banks; Central Bank: structure and functions of central bank; control of money supply; tools to control of money supply; Monetary policy and independence of monetary short and long run aspects Determination of interest rates; Lags in Monetary Policy; Efficiency of Monetary Policy; Islamic Banking.

4- **ECON-401 MONETARY THEORY AND POLICY (For BZU, Multan)**

Introduction to monetary theory and policy; Theories of Demand for money: Supply of money models; Inflation and money; Economic growth and money; Role of money in international trade; Monetary policy and its effectiveness through AD-AS & IS-LM framework.

HEC REVISED SYLLABUS 2013 & UOP 2017

The course outlines of these revised syllabus HEC 2013 and UOP 2017 are same to those of HEC syllabus 2008, except the following sub-topics of Topic 1: "The Evolution of Monetary Thought. Quantity Theory of money, Keynesian Tradition. Monetarism and Modern Quantity Theory. Rational Expectation theory. Quantitative Theory of Money."
(Note: These sub-topics are available in different chapters of this book)

6- Course Outlines: ECON-312: MONETARY ECONOMICS HEC SYLLABUS 2018, and implemented by GCWUF with the title Monetary Economics having the cause code ECO - 604.

1. **Introduction and Development of Monetary Mechanism**
 - Evolution of Money and Payment System
 - Definition of Money, Function of Money and Measurement of Money
 - Demand for Money and Supply of Money
 - The Evolution of Monetary Thought, Quantity Theory of Money, Keynesian Tradition, Monetarism and Modern Quantity Theory, Rational Expectation Theory.
2. **Role of Money in the Economy**
 - Debate on neutrality and non-neutrality of Money
 - Classical Dichotomy and Keynesian Integration of Nominal and Real Sectors.
 - Role of Money in the IS-LM Framework.
 - Money in Aggregate Demand and Aggregate Supply Analysis
 - Keynesian vs Monetarist views of Equilibrium Output, Employment and Prices
3. **Theory of Demand for Money**
 - Quantity Theory of Money.
 - Transaction Theories of Demand for Money.
 - Portfolio Theories of Demand for Money.
 - Baumol – Tobin Model of Cash Management.
 - Friedman's Restatement of Quantity Theory of Money
 - Empirical Evidence on the Demand for Money.
4. **The Money Supply Process**
 - Monetary Base
 - Keynesian Liquidity Preference Framework
 - Friedman's Modern Quantity Theory of Money
 - Multiple Deposit Creation: Introduction the Money Supply Process
 - Determinants of the Money Supply: Exogenous and Endogenous.
 - Understanding Movements in the Monetary Base, Money Multiplier. Velocity of Money and its Variability.
 - Explaining Depositor and Bank Behaviour: the Complete Money Supply Model.

The Conduct of Monetary Policy: Central Bank

5.
 - Structure and Functions of Central Bank.
 - Independence of Central Bank and its Role in Economic Growth.
 - Tools of Central Bank for Money Control.
 - The Conduct of Monetary Policy: Goals and Targets.
 - Tools of Monetary Policy and their Comparative Analysis.
 - Impact Analysis of Monetary Policy Tools
 - Financial Intermediaries
 - Monetization of Public Debt
 - Ineffectiveness of Stabilization Policies.
 - Targeting interest rate and inflation.
6.
 - **Money and Interest Rates**
 - Determinants of Interest Rates
 - Kinds of Interest Rates
 - Behavior of Interest Rates
 - Understanding and Measurement of Interest Rates
 - Real and Nominal Interest Rates
 - Theories of Interest Rate Determination
 - The Risk and Term Structure of Interest Rates
 - The Distinction Between Interest Rates and Returns
 - Maturity and Volatility of Bond Returns
 - Portfolio Choice: Theory of Asset Demand.
7.
 - **Money and Inflation**
 - Inflation, Kinds of Inflation and Causes of Inflation
 - Demand – pull Inflation, Cost – push Inflation
 - Stagflation and Hyperinflation.
 - Inflation as a Monetary Phenomenon.
 - The Phillips Curve and Accelerating Inflation.
 - Situation Analysis of Inflation in Pakistan: Historical Perspective
 - Causes of Inflation in Pakistan
 - Policies to Combat Inflation in Pakistan
8.
 - **Monetary Policy in International Framework**
 - Money Demand and Empirical Evidences
 - Money in Growth Models
 - Inflationary Spiral
 - Monetary and Financial Sector Reforms
 - Financial Sector Reforms in Pakistan
 - Monetary Policy in Fixed and Flexible Exchange Rates
 - Perfect Mobility of Capital and Money Control
 - Impact of Reserves on Balance of Pakistan (BOP) and Exchange Rates
 - Targeting Exchange Rate
 - Managed Exchange Rate System and Monetary Policy
 - Targeting Inflation, Exchange Rate and Balance of Payment

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