



LEAD CITY UNIVERSITY
Faculty of Social and Management Sciences
Department of Economics

COURSE PARTICULARS

Course Code: ECO 319
Course Title: Monetary Economics 11
Number of Units: 2
Status: Elective

LECTURER DETAIL

Name: Prof. W. O. Akerele
Qualifications: B.Sc, M.Sc & Ph.D (Econs)
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Area of Specialization: Labour Economics

COURSE DESCRIPTION

Money and its role in the economy: historical development, types, functions and characteristics; Classical; Keynesian and post-Keynesian schools, interest elasticity of demand for money; Keynesian versus monetarism; the great debate; theory of demand for money: quantity theory approach, determinants of money demand; supply of money; determinants of money supply; high-powered money; monetary equilibrium: LM curve; general equilibrium: IS-LM analysis; theory of inflation, its problems and effects; theories of interest, issues in monetary.

COURSE OBJECTIVES:

1. To equip students with knowledge and tools necessary to deal with issues arising from monetary economics and understand the role of money in the economy.
2. To understand the links between interest rates and the demand for money as well as the structure and organization of the entity that supplies money.
3. To understand how central bank actions can affect (or fail to have an effect) the macro-economy;
4. To identify the role of financial markets and explore the stock and bond markets and take a look at the role played by banks as financial intermediaries.

5. To understand the important aspects of international economics, focusing on how actions by one country often ripple out to other countries both through exchange rates and international capital flows.

ASSESSMENT

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|----------------------|-------------|
| Class Tests | 15% |
| Term Paper | 10% |
| Class Attendance | 5% |
| Semester Examination | 70% |
| Total | 100% |

TEACHING PLAN:

| Week | Topic |
|--------------------------|--|
| Weeks 1 & 2: | Supply of Money- meaning, components and determinants |
| Week 3 | High Powered Monetary Base |
| Weeks 4 & 5 | Theory of Inflation |
| Weeks 6 & 7 | Monetary Policy Issues- objectives, targets and indicators |
| Weeks 8 & 9 | Instruments: Types and limitations of monetary policy |
| Weeks 10 & 11 | Transmission mechanism of monetary policy |
| Weeks 11 & 12 | Monetary Policy and its application |
| Weeks 14 & 15 | Revision & Examination |

READING LIST

- Bofinger, Peter, (2001). *Monetary Policy: Goals, Institutions, Strategies, and Instruments*, Oxford University Press.
- Blinder, Alan, (1998). *Central Banking in Theory and Practice*, The MIT Press.
- Frederic S. Mishkin. *The Economics of Money Banking and Financial Markets*, 8th Edition, Pearson Addison Wesley (ISBN: 0321287266).
- Laidler, David, (1993). *The Demand for Money: Theories, Evidence and Problems*, Fourth Edition, Harper Collins Publishers.
- Mankiw, Gregory, (ed.), (1994). *Monetary Policy*, The University of Chicago Press.
- McCallum, Bennett, (1989). *Monetary Economics: Theory and Policy*, Prentice Hall Publishers.
- Scarth, William, (1996). *Macroeconomics: An Introduction to Advanced Methods*, Second Edition, Dryden Press.

Simeon Ibi-Ajayi and Oladeji O. Ojo (2006). *Money and Banking, Analysis and Policy in the Nigerian Context*.

Taylor, John, (ed.), (1999). *Monetary Policy Rules*, The University of Chicago Press.

Vaish M. C. (2004). *Monetary Theory*, Fifteenth Edition, Vikas Publishing House PVT Ltd., New Delhi.

Walsh, Carl, (2003). *Monetary Theory and Policy*, Second Edition, The MIT Press.

Woodford, Michael, (2003). *Interest and Prices: Foundations of a Theory of Monetary Policy*, Princeton University Press.

TUTORIAL QUESTIONS

1. Explain the various instruments of monetary policy, discuss the effectiveness of bank rate and open market operations as instruments of monetary policy in combating inflation.
2.
 - a. Explain what is meant by money supply
 - b. What are the major components of money supply in Nigeria
3. Do you think the Central Bank of Nigeria has more control over the money stock than interest rates? Why or why not?
4.
 - a. What is money multiplier?
 - b. Derive a money multiplier of a capitalist economy
5.
 - a. Explain the two transmission mechanism as stated by the Keynesian and monetarist
 - b. How can the two approaches be reconciled.
6.
 - a. What are the determinants of high-powered money?
 - b. Explain the effect on money supply of a change in:
 - Currency ratio
 - The reserve ratio
 - High-powered money
7.
 - a. Discuss the effects of inflation on the economy
 - b. Explain how inflation can be controlled in a market economy
8.
 - a. What are the objectives of monetary policy in Nigeria?
 - b. Explain the three instruments of monetary policy in use
9. The way through which the actions in monetary sector affect the real sector is called the transmission mechanism of monetary policy. Mention the two ways and show how the two can be reconciled
10. Explain the monetarist explanation of inflation along the three main schools of thought
11. Write short notes on these other instrument of monetary control:

- i. Interest rate ceiling
- ii. Special deposits
- iii. Selective credit controls
- iv. Specialization securities
- v. Moral suasion

12. a. Describe briefly the effect of interest rates on consumption and investment

b. Explain the following concepts:

- i. Excess reserves
- ii. Free reserves
- iii. Monetary base

