The primary emphasis of this course will be the study of monetary theory and policy with particular emphasis on the institutions that carry out monetary policy. There are several competing views of the effectiveness, or ineffectiveness, of monetary policy and these will be examined in detail. Recent economic theories tend to discount the role of monetary policy in the stabilization of the macro-economy. This is contrary to the previously accepted belief that adjustments in the money supply and other tools of the Federal Reserve can be used to solve the problems of growth, prices, and employment. We will study three different approaches to this question - Keynesian, Monetarist, and the New Classical/Rational Expectations - and look at some empirical evidence to compare these disparate approaches.

This course will also require that the student read a number of articles that will be on reserve at Norlin Library. These articles will provide some historical context to the text and the lectures. Included will be readings on the gold standard, the evolution of central banking in the United States during the nineteenth century, and, if time allows, some contemporary discussions of Federal Reserve policy and the political economy of central banking.

The course will end with a section on international finance and foreign exchange markets. This is always a timely topic since the amount of data regularly available on exchange rates and central bank interventions allows some real world applications of the theories presented in the class.

EXAMS: There will be three exams in this course - two midterms and a final. All exams are a combination of True/False and essay questions. The final will be cumulative.

ADDITIONAL ASSIGNMENT: In addition to the exams there will be an outside project that will involve some simple data collection and analysis. All of the data necessary is readily available in sources such as The Wall Street Journal and The Economist. Both of which are available at Norlin Library as well as the Business School Library. Details will be discussed in a couple of weeks in class.

GRADING: Midterm #1 50pts
         Midterm #2 50pts
         Assignment 50pts
         Final Exam 100pts
         Total Points 250pts
TENTATIVE COURSE OUTLINE

I. Money and Interest Rates
   Chapters 2,4, and 6 (Mishkin)
   *The Gold Standard: The Traditional Approach*, Bordo (On Reserve)

II. The Money Supply Process
    Chapters 14-16 (Mishkin)
    Additional Readings TBA

First Midterm

III. The Federal Reserve System and Monetary Policy
    Chapters 17-20 (Mishkin)
    Chapters 8-9 from *The Age of Diminished Expectations* by Paul Krugman (On Reserve)
    Additional Readings TBA

IV. Monetary Theory
    Chapters 23-28 (Mishkin)

Second Midterm

V. International Finance
    Chapters 21-22 (Mishkin)
    Additional Readings TBA

Final Exam  Saturday December 16, 1995  11:30am - 2:30pm