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**Department Of Economics
University of Toronto**

ECO 409H(S) Topics In Money, Banking, And Finance

Course Outline: Provisional¹

TEXT: Bruce Champ and Scott Freeman, *Modeling Monetary Economies*, 3rd Edition, Cambridge University Press. (Hereafter, *MME*.) There will also be class notes that clarify and extend the text. These will be published on Blackboard. This textbook has in the past been used successfully at UTM, and in similar courses in North American undergraduate programs. In addition, there will be 4 assigned readings of Classics in Monetary Theory. See below.

Comments: This is not a standard “money and banking” course. The basic theme is that a useful way to understand money, and institutions that provide financial intermediation, is by the use of dynamic models that are specific with respect to the services that money provides. In the course, models with this feature are constructed using the tools mastered in intermediate micro and macro economics. (This is the framework of the text.) In fact, an objective of the course is to show students that these tools have important applications beyond the narrow frameworks within which they are first introduced. The usefulness of these models is illustrated by applying them to a variety of important questions, including the following: the role of money and financial intermediaries in improving economic welfare, and the roles of these same institutions in theories of aggregate economic fluctuations. The focus on basic principles provides students with frameworks that help understand new situations and institutions that are part of the continual change that characterizes financial, and capital markets.

In addition to the Text and Class Notes, There are four papers which are Classics in Monetary Theory: David Hume (1753), Alfred Marshall (1924), Milton Friedman (1962), and Robert Lucas (1970) See below. These are assigned to provide illustrations of developments in the style and substance of monetary theory. You are required to submit summaries of each paper. Each summary is to be no more than 2 standard (one inch margins) double spaced type written pages using the common default font, 12 pt Times New Roman (A good summary can be one page.) The due dates and weights are given below. Economics’ students have very few writing assignments in their academic

¹Some dates may be changed in the first two weeks. Although this is not too likely. Also, there may be one additional reading

careers. This type of writing helps fill this void. The short summary assignment is pedagogically quite efficient.

Grade Determination: The average of the Summaries count 30%. The Midterm 30%. And the Final, 40%. **Please Note:** The date of the Midterm is **Friday, February 15**. In general, the Friday class will be used for a variety of things: exams; returning and discussing graded summaries; and tutorials.

Reading List

Papers To Be Summarized

David Hume. *Of Money* (1753). January 15.

Alfred Marshall. *How Much Money does A Nation Need*(1924). February 12.

Milton Friedman. *The Role of Monetary Policy*. (1967). March 5.

Robert Lucas. *Methods And Problems In Business Cycle Theory*. (1980). April 5.

Material From The Text: The course will cover material from the following chapters: 1,3,6,7,8,12,13, and, 14-17. Although, all of each chapter may not be covered. Note: A brief review of Utility Theory is posted on Blackboard.