

INTERNATIONAL UNIVERSITY OF JAPAN  
Graduate School of International Relations

Academic Year: 2013/2014

Term: Spring

Course	Course code ADC5112	Course title 貨幣と銀行論 Money and banking	
Name of Instructor			Credit Number: 2
Instructor's contact Information	Office# 323	Office Hours	E-mail:
Class Schedule Day / Time	<For example> Thursday / 10:30-12:00, 13:00-14:30		

Course Description: This course provides an introduction to money and the banking sector in macroeconomics. We explore the following three main questions: (1) Why is there money in the economy? (2) How much money is required in the economy? (3) How do the financial intermediates (or the banking sector) influence the economy? Exploring these questions helps not only in understanding the nature of these basic components in the economy, but also in identifying the causes of the major macroeconomic problems and the corresponding optimal policy response.

We explore the first question using the search theoretical approach. The concept is that money exists because of its role as a medium of exchange. Therefore, even if there is no fiat money, a commodity could endogenously emerge to serve the same purpose. To tackle the second question, we examine the empirical evidence to see the relationship among money demand, interest rates and output. The conclusion could serve as a guidance to determine the optimal money supply to stabilize the price level. As for the third question, based on the literature of financial accelerator, we study how the banking sector “amplifies” and “propagates” the economic fluctuations through influencing the credit circulating in the economy. We also show that financial assets, such as housing, could play a similar role through a parallel mechanism. We will discuss the policy responses under this situation.

Learning Objectives: This course helps students to be equipped with the knowledge of quantitative analysis for research topics regarding the relationship among money, credit, banking sector, and business cycle. Students are expected to understand the important stylized facts and the major theoretical models in this field.

Career Relevance: This course provides the knowledge and analytical skills for students who consider working in institutions that are involved in conducting monetary policy analysis, such as IMF and the central bank.

Course Context or Rationalization:

A student may take this class, if he/she will write a thesis related to the topics of business cycle and monetary policy. This course is highly associated with other three subjects: "Advanced Macroeconomics I", "Time Series Analysis I", and "Time Series Analysis II." A student may take this course if she/he is considering taking or have already taken these other related courses.

Delivery Methods: This course is lecture-based. However, students are strongly encouraged to participate in the

class discussions.	
Assessment: There will be at least four (4) assignments (60%) and one final exam (40%). For the assignment, a student may opt to work alone or in a group of up to three (3) members. The purpose of these assignments is to help students review the concepts. In each assignment, the students will be asked to solve a model and explain its implication. Some of the problem sets involve computational analysis.	
Prerequisite: All the required courses in the first year of International Development/Economics Program.	
Textbook(s)	<p>The class lecture handouts will be the primary source of information for the course. There is no required textbook. Some references which are closely related to the course materials are as follows:</p> <ol style="list-style-type: none"> <li>1. Galí, Jordi. Monetary Policy, inflation, and the Business Cycle: An introduction to the new Keynesian Framework. Princeton University Press, 2009.</li> <li>2. Walsh, Carl E. Monetary Theory and Policy. MIT press, 2013.</li> <li>3. Kiyotaki, Nobuhiro, and Randall Wright. "A contribution to the pure theory of money." <i>Journal of Economic Theory</i> 53.2 (1991): 215-235.</li> <li>4. Lucas, Robert E. "Money demand in the United States: A quantitative review." <i>Carnegie-Rochester Conference Series on Public Policy</i>. Vol. 29. North-Holland, 1988.</li> <li>5. Bernanke, Ben S., Mark Gertler, and Simon Gilchrist. "The financial accelerator in a quantitative business cycle framework." <i>Handbook of macroeconomics</i> 1 (1999): 1341-1393.</li> <li>6. Iacoviello, Matteo. "House prices, borrowing constraints, and monetary policy in the business cycle." <i>The American economic review</i> 95.3 (2005): 739-764.</li> </ol>
Class Outline	<ol style="list-style-type: none"> <li>1. The origin of money – a search theoretical model approach (I)</li> <li>3. The origin of money – a search theoretical model approach (II)</li> <li>4. The origin of money – a search theoretical model approach (III)</li> <li>5. The origin of money – a search theoretical model approach (IV)</li> <li>6. Stylized facts about money</li> <li>7. Money demand – theory and evidence (1)</li> <li>8. Money demand – theory and evidence (2)</li> <li>9. The introduction of New Keynesian Framework (1)</li> <li>10. The introduction of New Keynesian Framework (2)</li> <li>11. The financial accelerator in a quantitative business cycle framework (I)</li> <li>12. The financial accelerator in a quantitative business cycle framework (II)</li> <li>13. The financial accelerator in a quantitative business cycle framework (III)</li> <li>14. Topics on the financial accelerator</li> <li>15. Topics on the financial accelerator</li> <li>17. Credit and business cycle</li> <li>18. Credit and business cycle</li> <li>19. Asset price and business cycle</li> <li>20. Asset price and business cycle</li> </ol>
Others (if any)	

