

Department: Economics and Finance

Course Name: Fiscal and Monetary Policies **Course No.:** ECON 642

Prerequisite: N/A **Credit Hours:** 3

Brief Description:

This course aims at providing students with a thorough understanding of the key issues related to fiscal and monetary policy and the analytical tools necessary to study relevant policy questions. The course intends to explore both theoretical debates and the practical issues facing policy makers, the role of the underlying policies in achieving economic stability and growth, the interactions between the two policies in a closed and an open economy, and the constraints that these interactions impose on the effectiveness of any of the policies. This course is divided into two parts, with the first focusing on questions pertaining to fiscal policy and the latter on topics related to monetary policy.

Course Objectives:

After completion of this course the student will be able to:

- Explain fiscal and monetary policies, objectives and instruments and their role in economic growth, stability and poverty reduction.
- Compare the fiscal and monetary policy debates in the classical, Keynesian, monetarist, new classical and new Keynesian frameworks.
- Apply the macroeconomic theories
- Analyze the impact of fiscal and monetary policies.
- Evaluate the empirical research on the effectiveness of fiscal and monetary policies

Course Topics:

- Fiscal policy: classical and Keynesian views
- New classical view of fiscal policy
- Source of government finance
- Taxes, their types, effects and incidence
- Public debt and government deficit
- Fiscal policy multipliers
- An introduction to money and monetary policy
- Targets and instruments of monetary policy
- Money in the classical model
- Money in the Keynesian model
- Money in the monetarist model
- Money in the classical and new Keynesian model
- Fiscal and monetary policy debate
- Money in the open economy
- Inflation

Text Book:

- Hyman, D.N. (2011), Public Finance: A Contemporary Application of Theory to Policy, 10th edition, South-Western Cengage Learning.
- Walsh, C.E. (2010), Monetary Theory and Policy, 3rd edition, Boston, USA: Massachusetts Institute of Technology.
- Gali, G. (2008), Monetary Policy, Inflation and the Business Cycles, New York, USA: Princeton University Press.

Additional References:

- Handa, J. (2009), Monetary Economics, 2nd edition, Oxfordshire, UK: Routledge

Online Resources:

- <http://www.economist.com>
- <http://www.worldfinance.com>
- <https://www.wsj.com/news/markets>
- <https://www.ft.com/market>

Measurement & Assessment Tools:

Objectives			Obj 1.1 & 1.2	Obj 2.2	Obj 3.1
Assessment tools	Grade	Week (Time period)	1	2	3
Midterm test	25	9 th	✖		
Class work	10	12 th			✖
Assignments	15	15 th		✖	
Final exam	50	As Dated	✖		
Total	100				
Extra credit					
Not Required					

Tentative Course Outline:

Week	Hours	Topics	Readings
1	3	Basics of fiscal policy	
2	3	Classical, Keynesian and new classical views of fiscal policy	
3	3	Sources of government finance	
4	3	Fiscal policy multipliers	
5	3	An introduction of money	
6	3	Targets and instruments of monetary policy	
7	3	Money in the classical model and the transmission mechanism of money	
8	3	Money in the Keynesian model and the transmission mechanism of money	
9	3	Baumol's interest-elasticity of transaction and Tobin's portfolio balance money demand models	
10	3	Money in the monetarist model, the restatement of quantity theory of money and the transmission mechanism	

11	3	Role of fiscal and monetary policies in the Post-Keynesian model	
12	3	The money supply, money multiplier and money supply controllability	
13	3	Money in the open economy	
14	3	Effectiveness of fiscal and monetary policies under fixed and flexible exchange rates	
15	3	Inflation and theories of inflation	
16	3	Revision	

Approved by Dept. Chair:

Date of Approval:

Extra Information: (Updated every semester and filled by course instructor)

Course Instructor: Dr _____
Office No: _____
Extension: _____
Email: _____
Office Hours: _____