

Spring 2025
METU
FEAS
Department of Economics

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ECON 311 Monetary Theory and Policy

Required Text:

Mishkin, Frederic S., **The Economics of Money, Banking, and Financial Markets**, Pearson, 2013, Tenth Edition. (Previous or newer editions are acceptable as well)

Additional Material:

Cecchetti, Stephen G., **Money Banking and Financial Markets**, McGraw-Hill, 2008, Second Edition.

Özatay, Fatih, **Parasal İktisat Kuram ve Politika**, Efil Yayınevi, 2021, Altıncı basım.

Class Schedule: Thursday 9:40-12:30 FZ14

Office hours: Thursday 12:45-13:30 or contact me by email; state your name, student number, and course name to make an appointment if these hours do not fit your schedule.

Homepage: <https://odtuclass.metu.edu.tr/>

Objectives:

This course is designed to provide the students with an understanding of the role of money in the economy, how financial markets work, and the impact of financial markets on the domestic and international economic system, monetary policy tools and strategies, and monetary transmission mechanisms. Upon completing this course, students are expected to develop a better understanding of the tools, roles and limitations of monetary policy.

Grading:

There will be one midterm exam (45%) and one final exam (45%). The rest of your grade will come from homework and attendance (10% total). Exams will be held in class.

Midterm Exam: April 22, 2025 Tuesday, 17:40

(Note that exams will be in class. Exam places will be announced on the day of the exam half an hour before the exam time)

Comments:

I will post the lecture notes and additional materials weekly to Odtuclass. It is a very good idea to read the material that is covered in the lectures from the textbook before the classes. It is also required that you regularly attend the lectures. I will take attendance regularly; it is part of the total grade. The material that we're going to cover in this class is going to be cumulative. Cramming the night before the tests (even a few nights before!) is known to produce very disappointing results. Please attend the scheduled classes and keep up with the course material.

ECON 311 Monetary Theory and Policy – Course Outline

Topic	Week	Readings
Introduction to Money and the Financial System	1-2	(M)CH 1 Why Study Money, Banking, and Financial Markets? (M)CH 2 An Overview of the Financial System (M)CH 3 What is Money?
Interest Rates	2-5	(M)CH 4 Understanding Interest Rates (M)CH 5 The Behavior of Interest Rates (M)CH 6 The Risk and Term Structure of Interest Rates
Banking System and Central Banking	6-7	(M)CH 11 Banking and Management of Financial Institutions (M)CH 14 Central Banks: A Global Perspective Lecture Notes (https://online.metu.edu.tr/)
Money Supply Process	8	(M)CH15 The Money Supply Process
Monetary Policy	9-10	(M)CH 16 Tools of Monetary Policy (M) CH 17 The Conduct of Monetary Policy: Goals, Strategy, and Tactics
Monetary Theory	11-13	(M)CH 21 The IS Curve (M)CH 22 The Monetary Policy and Aggregate Demand Curve (M) CH 23 AD and AS Analysis (M) CH 25 The Role of Expectations in Monetary Policy
Transmission Mechanisms	14	(M)CH 26 Transmission Mechanisms of Monetary Policy

(M) Mishkin, The Economics of Money, Banking, and Financial Markets, 10th Edition