

# ECON 402: Money, Income, and Prices

Spring, 2023

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Office Hours: Tuesdays 2:30-4:30 (or by appt)  
Office: 452P2 (One of the cubicles in the Econ corner)

Class Hours: T/TH 1:15-2:30pm  
Class Room: DMSB 127  
Section: 001

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*"Since we decided a few weeks ago to adopt the leaf as legal tender, we have, of course, all become immensely rich."*

– Douglas Adams

## Course Description:

We use simple, but formal, mathematical models to study monetary theory and policy, central banking, the banking system, international monetary systems, and the effects of government debt and inflation.

## Learning Objectives:

By the end of this course, successful students will know:

- what money is and what role it plays in the economy
- what inflation is and how it affects economic outcomes
- what exchange rates are and how they are determined. The options available to a country to manage the value of its currency.
- the effects changes in the money supply, and monetary policy in general, can have on the aggregate economy.
- how real and nominal interest rates are related.
- how central banks work, what their goals are, and what they do to achieve these.
- what the inflation-output trade-off is, and the implications it has for monetary policy.
- how banks work, how the government regulates these, and potential problems.
- how government debt affects aggregate capital, saving, output, and inflation, including the implications of the government defaulting on its debt.
- how inflation and government debt are interrelated.
- how to analyze and solve simple mathematical models of the aggregate economy.

## Course Requirements:

- **Prerequisites:**

ECON 221 and 222, or 224, MATH 122 or 141. While not required, having completed ECON 321 will make it easier to follow the material.

- **Required Textbook:**

*Modeling Monetary Economies* by Champ, Freeman, and Haslag (5th Edition, Cambridge University Press). Any other required readings will be available on Blackboard.

- **Course Format/ Attendance:**

This course is being offered as an in-person (face-to-face) course. Success in this course is dependent on your engagement and participation. You are expected to attend all class sessions, as these will be used to go over the more difficult material and will give you a chance to ask questions. Lecture notes will be posted

Much of the work in this course will occur online on Blackboard. Online activities and in-class activities are designed to build on each other. Active participation in the online activities and completion of all coursework is required in this course.

Blackboard will be used for:

- Homeworks
- Posting lecture notes
- Virtual Drop-in Hours (if needed)

- **Homeworks:** Each group will have about 5 members and should upload **one** set of answers for each homework assignment through Blackboard. This should be in the form of one single common PDF document where the first page specifies who contributed to the assignment. Submissions are not accepted after the upload link on Blackboard has expired. Please do not send late assignments by e-mail or by uploading with the following assignment. It is the student's responsibility to make sure that they submit the homeworks before the due date and time, and that they have access to reliable internet.
- **Exams:** Exams will take place in-person in the classroom. There will be two midterm exams and a final. There will be no make-ups for missed exams except in extreme conditions (as defined by the university). Documentation must be provided to the instructor as soon as possible and must be dated. For medical issues, a doctor's note, not an appointment confirmation, must be provided. The instructor must be notified in writing (via email) of the absence as soon as possible and provided the relevant documentation before a make-up exam can be scheduled. The University policy states that exams must be taken within one week of the missed assignment to receive full points, a penalty of one letter grade (10%) will accrue each week after the first. If you miss a midterm, you will get a zero on that midterm. **You must take the final exam at its scheduled time.**
- **Intellectual Property:** The notes gone over in class will be shared on Blackboard for your reference. These notes as well as any other course materials including homework problem sets, practice exams, and exams are the intellectual property of the faculty and Moore School of Business, and may not be shared without explicit written consent from the instructor. In particular, these materials should not be distributed or uploaded to any online

environment. Unauthorized distribution is a breach of the Code of Student Conduct, and violators are subject to university discipline and civil penalties and liability.

- **Course Website:** [blackboard.sc.edu](http://blackboard.sc.edu) - Announcements, the course syllabus, lecture notes, homeworks, grades and any additional documents will be available on Blackboard.
- **Course Communication:**

If you need to get in touch with me, the best method is via email. Generally, I will reply to emails within 24 hours. If you are having trouble with this course or its material, you should contact me via email to discuss the issues.

Announcements will be posted to this course on Blackboard whenever necessary. If there is any other information I think is important, I will send it to your email address you have on Blackboard. It is your responsibility to ensure that your email account works properly in order to receive email.

Below is how you check your email address in Blackboard:

- Access [blackboard.sc.edu](http://blackboard.sc.edu)
- Click your name on the main Blackboard navigation panel on the left
- Review your email address. By default, Blackboard uses your university-issued email address.

Your email address on Blackboard coincides with your preferred university email. If you are unsure of your preferred email, check your **account**. For more information on setting your preferred university email, please see the [How To Change Your Primary University Email Address](#) Knowledge Base article.

## Grading:

Grades will be determined by homework problems, two midterms, and a final. Any missing items (homework assignment or exam) without documented justification presented within a week will receive a score of zero. The weighting for each of these items is as follows:

- *Exams:*
  - *Exam 1: 29%*
  - *Exam 2: 29%*
  - *Final Exam: 29%*
- *Homeworks:*
  - *Homework Problems: 13%*

- **Grading Scale:**

The final score from the above elements will determine the letter grades based on the following scale:

A	90-100
B+	87-89
B	80-86
C+	77-79
C	70-76
D+	67-69
D	60-66
F	below 60

There will be no changes to the grading scale. Grades will be rounded to the nearest whole number and NOT up to the next whole number. This means that 89.5% will be rounded to 90% but 89.4% will be rounded to 89%. There will NOT be any CURVING in this class.

## **Course Outline:**

A detailed calendar will be posted on Blackboard and should be referenced for finding homework problem due dates as well as exam dates.

### I Money

- A) Origins of Money
- B) Simple models with money (chapters 1, 2, & 3)
- C) International monetary systems (chapter 5)
- D) Price surprises (chapter 6)

### II Banking

- A) Capital, money, and liquidity (chapters 7 & 8)
- B) Central banking and money (chapter 9)
- C) Money and output (chapter 10)
- D) Fully backed central bank money (chapter 11)
- E) Bank risk (chapter 13)

### III Government Debt

- A) Deficits and national debt (chapter 15)
  - B) The temptation of inflation (chapter 18)
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## Academic Integrity

Honor Code:

*"It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline."*

### **Darla Moore School of Business Code of Student Conduct for Undergraduate Students:**

The Darla Moore School of Business is recognized globally for educating students who are prepared to become responsible business and civic leaders. An effective learning environment where students and faculty value integrity, professionalism and diligence is foundational to this mission.

Consistent with these values, the Student Leadership Council and the faculty of the Darla Moore School of Business expect students to:

1. spend a minimum of two hours outside of class studying for each hour of classroom time;
2. exhibit classroom behavior that is respectful to faculty and fellow students;
3. refrain from the use of phones and other electronic equipment during class, unless permitted by the instructor;
4. arrive at class on time, actively participate in class, and not leave class early;
5. keep up with assigned readings and complete assignments on time;
6. contribute fully to team assignments;
7. respect the university's staff and be responsible stewards of its facilities; and
8. abide by the University of South Carolina Honor Code Approved by the Undergraduate Student Leadership Council and the Faculty of the Darla Moore School of Business. **By enrolling in this class, you are bound by the Honor Code and Code of Conduct.**