



**RIGA
GRADUATE
SCHOOL OF
LAW**

Course Outline

Course number	RMF 115				
Course title	Monetary Policy				
Credit points	3 ECTS (2 CP)				
Total hours	24				
Contact hours	24				
Independent studies	?				
Course level	Master				
Prerequisites	None				
Category	Mandatory		Restricted elective		Free elective

COURSE RESPONSIBLE

<i>Name</i>	<i>Academic degree</i>	<i>Academic position</i>
Paolo Paesani	PhD	Professor

COURSE TEACHERS

<i>Name</i>	<i>Academic degree</i>	<i>Academic position</i>
Paolo Paesani	PhD	Professor

COURSE ABSTRACT

The course consists of four related parts. The first part introduces students to the basic notions of money, credit, interest rates, and financial markets. The second part focuses on banks, banking risks and regulation, central banking and financial system, in connection with money supply and demand. The third part addresses the institutional structure, goals, strategy and operating procedures of the European Central Bank. The fourth part is devoted to discussing the monetary policy transmission mechanism in the context of an open economy.

GRADING CRITERIA

<i>Criteria</i>	<i>Weighting</i>
Written take-home exam. The exam will consist of 3 open questions, all to be answered in an essay style.	100%

COURSE REQUIREMENTS

COURSE PLAN – MAIN SUBJECTS

<i>No.</i>	<i>Main subjects</i>	<i>Planned hours</i>
1	Money, credit, interest rates, financial markets	4
2	Banks, banking risks, central bank, financial system	6
3	Money supply and money demand	2
4	The European central bank	6
5	The Monetary policy transmission mechanism	4
6	Recent issues in monetary policy, banking regulation / supervision	2

COURSE PLAN – SESSIONS

<i>Session</i>	<i>Session subjects and readings</i>	<i>Lecture/seminar</i>
1	Introduction to money 1. Functions of money, 2. Types of money, 3. Monetary aggregates	Lecture
2	Introduction to credit 1. The basic features of credit operations 2. Interest rates 3. Asset pricing: basic concepts	Lecture
3	Banks 1. Commercial banks 2. Shadow banks 3. Investment banks	Lecture

<i>Session</i>	<i>Session subjects and readings</i>	<i>Lecture/seminar</i>
4	Banks 1. Balance sheet 2. Income Statement 3. Off-balance sheet activities	Lecture
5	Banking risks / regulation / supervision 1. Credit risk, liquidity risk, solvency risk 2. Microprudential regulation 3. Macroprudential regulation	Lecture
6	Central bank and financial system 1. Central bank: definition and functions 2. Domestic financial system 3. Global financial system	Lecture
7	Money supply and money demand 1. Monetary base supply 2. The money multiplier 3. Money demand	Lecture
8	The European Central bank 1. EMU, the ECB and the Euro 2. ECB and the European Community 3. The two-pillars strategy	Lecture
9	The European Central bank 1. ECB operations 2. The money market 3. Conventional and unconventional monetary policy	Lecture
10	The Monetary policy transmission mechanism 1. Interest rate channel 2. Exchange rate channel	Lecture
11	The Monetary policy transmission mechanism 1. Credit channels 2. Other channels	Lecture
12	Recent issues in monetary policy, banking regulation / supervision 1. The Global financial crisis and policy response	Lecture

COURSE LEARNING OUTCOMES

This course has the following main learning outcomes:

Academic and professional competences to be gained through the course

Knowledge

1. Understand the basic principles of monetary economics.
2. Understand the main elements of the financial system.

Competencies

3. Apply notions in the areas of money and banking to real-world situations.
4. Outline and give a detailed explanation of the main goals of monetary policy and Assess the strategies of different countries' monetary policy institutions.

- Skills

5. Critically discuss and debate a range of current monetary issues and Express articulated views about banking and monetary policies
6. Evaluate the effectiveness of such policies and Present methodically and clearly in their own words, views about banking and monetary policy issues.

COURSE RESULTS

By completing the study course and successfully passing examination, the student will be able to:

<i>Study results</i>	<i>Evaluation criteria</i>		
	<i>(40-69%)</i>	<i>(70-89%)</i>	<i>(90-100%)</i>
Knowledge	The student has acquired only basic knowledge of the course subject. The student lacks understanding of some of the core issues of the course subject.	Overall, the student's knowledge complies with the expectations. However, there are issues that the student does not fully understand.	The student has demonstrated in-depth knowledge and understanding of the issues related to the course subject.
Skills	The student has demonstrated only basic level of skills.	The student has demonstrated good skills.	The student has demonstrated excellent skills.
Competencies	The student can apply the knowledge only at a basic level. The student struggles with assessment and evaluation of legal issues. The student can identify the relevant legal norms. However, the student cannot correctly apply them.	The student can apply the knowledge at a reasonably good level. However, the student does not have the necessary level to be able to fully apply the acquired knowledge independently. The student has some problems to correctly apply the legal norms.	The student is able to apply the knowledge independently and correctly. The student can assess and evaluate legal issues, identify the relevant legal norms, and correctly apply them.

Please analyse the contribution of defined grading criteria to learning outcomes. Number of grading criteria and learning outcomes should correspond to previously defined one.

<i>Grading criteria</i>	<i>Learning outcomes</i>					
	1.	2.	3.	4.	5.	6.
Finale Examination	X	X	X	X	X	X

COURSE LITERATURE

Compulsory literature

<i>No.</i>	<i>Author, year, title, publisher</i>
1	Summary hand-outs will be provided for each topic area
2	"The monetary policy of the ECB" (Third Edition, May 2011) [Chapters to be indicated during the course] available at http://www.ecb.int/pub/pdf/other/monetarypolicy2011en.pdf?f91e158968140ada70974f150586b51c

Additional literature and sources

<i>No.</i>	<i>Author, year, title, publisher</i>
1	De Haan J., Oosterloo S., Schoenmaker D. (2015) Financial markets and institutions. A European perspective. Cambridge University press. cambridge
2	“Introduction to Global Financial Markets” by S. Valdez (Author) Palgrave Macmillan 2010 [Additional reading].
3	The End of Alchemy: Money, Banking, and the Future of the Global Economy by M. King by W. W. Norton Company