



APPLIES TO ACADEMIC YEAR 2005/2006

## EXC 2507 Macroeconomics and Financial Markets

### Program

Bachelor of Science in Business (3. year).

### Responsible for the course

Arne Jon Isachsen

### Department

Economics

### Term

According to study plan

### ECTS Credits

6

### Objective

The students will familiarize themselves with important concepts in Monetary Economics. What factors determine the rate of interest, the rate of inflation and the exchange rate? How do these three prices relate to one another? Although the theory may be fairly simple, logical and straightforward, empirical research tells us that the exchange rates and interest rates quite often behave unpredictably, creating challenges for politicians and central bankers as well as for the agents in financial markets. This course also offers insights into real world phenomena, like the consequences of liberalizing the credit market and allowing capital to travel across borders. Monetary policy in the US, in EU, and in China is also on the agenda.

### Prerequisites

Good understanding of basics in Macro and Micro

### Compulsory literature

#### Books:

Bain, Keith and Peter Howells. 2003. Monetary economics: policy and its theoretical basis. Basingstoke : Palgrave Macmillan

#### Other:

In addition a few recent articles will be distributed

### Recommended literature

#### Other:

Note that the students are expected to follow quite closely Financial Times and The Economist throughout the course

Some recent articles will be referred to

### Course outline

1. What is money?
2. The determination of the rate of interest
3. The term structure of interest rates
4. Inflation
5. Supply of and demand for money
6. The transmission mechanism - or how monetary policy works
7. Different monetary policy regimes
8. Factors determining the exchange rate
9. Nominal shocks versus real shocks
10. Monetary policy in the US, in EU, and in China

### Computer-based tools

Computer-based tools are not used in this course.

### Course structure

The course is based on 36 teaching hours.

**Evaluation**

A three hour individual written exam concludes the course.

**Evaluation code(s)**

EXC 25071 - Written exam accounts for 100% of the final grade in the course EXC 2507  
Macroeconomics and Financial Markets, 6 credits.

**Aids at the examination**

Non-programmable calculator

**Makeup exam**

A re-sit is normally held at the end of the next course.