

**UNIVERSITY OF NATIONAL AND WORLD ECONOMY -
SOFIA**

FACULTY OF FINANCE AND ACCOUNTING

CURRICULUM

For

Academic discipline:

MONETARY THEORY AND MONETARY

POLICY – ADVANCED LEVEL

Assoc. Prof. Dr. Silvia Trifonova

ANOTATION

The discipline “Monetary theory and monetary policy – advanced level” is being taught to the students in the Specialty of Finance, Master’s Degree, at the University of National and World Economy (UNWE), Sofia.

The course in “Monetary theory and monetary policy – advanced level” is a logical extension of the knowledge gained in the money theory that is studied in the Bachelor’s Degree. Also the obtained knowledge in all economic and financial disciplines are taken into account. The brand new trends in the theory of money and monetary policy are presented in a simple way as a particular focus is put on the functions and instruments of the central banks. One after another are demonstrated the following topics: genesis of money and changes in functions of money in the world of electronic money, manners for integration of money into the theoretical models, different approaches for the demand for money, mechanisms for money supply and monetary policy regimes, types of monetary policy and transmission mechanisms, interaction between the credit and money, payments systems development, systematic risk in the financial system, theory of competitive money, and other.

At the seminars all concerned aspects are illustrated in a practical and applied form with specific examples from the economic life. Particular attention is attached on the ECB’s functioning as well as on the problems in the face of Bulgarian economy connected with the country’s accession into the Euro area. The latest approaches in the money theory and policy are presented and discussed.

The course in “Monetary theory and monetary policy – advanced level” is distinguished in 10 topics each of them is accompanied by elaboration of individual works and case studies during the seminars. The hours of tuition for each topic taught comprise 3 hours lectures and 3 hours seminars.

MODULE CONTENTS

A. LECTURES

№	TOPIC	HOURS
Part 1 /15 hours/		
1	Origin and evolution of money. Theoretical concepts of money.	3
2	Electronic money. Nature. Advantages and disadvantages. E-money and the monetary policy.	3
3	Demand for money. Foundations of money behavior. Demand for money – classical and new approaches. Demand for money in circulation. Demand for e-money.	3

4	Monetary policy and money supply. Theory of money supply and monetary policy. Discretionary monetary policy of the central bank (loss function, reaction function, Taylor rule).	3
5	Transmission mechanisms of monetary policy. Transmission channels. Transmission mechanisms in the Euro area.	3
Part 2 /15 hours/		
6	Monetary policy regimes and monetary policy rules. History of monetary systems. Typology. Global currency areas.	3
7	Limits of the IS-LM model. The IS-LM model with the LM curve?	3
8	Quantity theory of money. Current evidence of the quantity theory of money. Quantity theory of money revisited. Inflation pressure and the quantity theory of money.	3
9	Money, inflation, economic growth.	3
10	Money in an open economy. Keynes, money and the open economy. Problems of business cycles convergence in the Euro area.	3

B. SEMINARS

№	TOPIC	HOURS OF TUITION	NON- CONTACT HOURS
1	Origin and evolution of money. Theoretical concepts of money.	3	6
2	Monetary policy regimes and monetary policy rules.	3	6
3	Electronic money and monetary policy. Demand for electronic money.	3	6
4	Modeling of demand for money. Foundations of money behavior. Demand for money in circulation.	3	6
5	Theory of money supply and monetary policy. Modeling of money supply.	3	6
6	Modeling of monetary transmission mechanisms.	3	6
7	Limits of the IS-LM model. The IS-LM model with the LM curve?	3	6
8	Modeling of credit.	3	6
9	Modeling of inflation. Fiscal theory of prices.	3	6
10	Euro area and European Central Bank /ECB/. ECB's monetary policy instruments. Bulgaria and Euro area. Convergence process.	3	6

LEARNING OUTCOMES

The subject “Monetary theory and monetary policy – advanced level” will provide profound knowledge in the field of macroeconomics, theory and practice of money, demand for money and monetary policy. Moreover, the training in this subject will prepare future specialists in macroeconomic and banking activity. This will contribute to a broader economic culture of the students and will prepare them for a better understanding of the monetary policy, monetary transmission channels, European monetary system’s functioning and other issues.

INDICATIVE READING

A. MAIN

In Bulgarian

1. Lavin, A., J. Poulain, Money theories, Publishing House „KAMA”, 2005.
2. Nenovsky, N., Free money. Questions on economic theory, Bulgarian Academy of Sciences Publishing House “Prof. Marin Drinov”, 2001.
3. Nenovsky, N., Demand for money in transforming economies, Bulgarian Academy of Sciences Publishing House “Prof. Marin Drinov”, Sofia, 1997.
4. Trifonova, S., Monetary Theory, Monetary Policy, European Monetary Integration, University Publishing House “Stopanstvo”, UNWE, Sofia, 2006.
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6. Bojinov, B., Electronic money, Publishing House “Abagar”, Veliko Turnovo, 2000.
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9. Nenovsky, N., K. Hristov, B. Petrov, From Lev to Euro. Which is the best way? Publishing House “Siela”, Sofia, 2001.
10. North, D., Institutions, Institutional Change and Economic Performance, Publishing House „LIK”, 2000.
11. Hanke, S., K. Schuler, Currency Board and Financial Stabilization, Friedrich Ebert Fondation, 1997.
12. Nenovsky, N., K. Hristov, Financial Repression and Credit Rationing under Currency Board Arrangement in Bulgaria, BNB, Discussion Papers, DP/2/1998, <http://www.bnb.bg/>.

13. Nenovsky, N., K. Histov, Currency in Circulation after Currency Board Introduction in Bulgaria (Transactions Demand, Hoarding, Shadow Economy), BNB, Discussion Papers, DP/13/2000, <http://www.bnb.bg/>.
14. Nenovsky, N., D. Koleva, Real Wage Rigidity and the Monetary Regime Choice, BNB, Discussion Papers, DP/18/2000, <http://www.bnb.bg/>.
15. Trifonova, S., Strategic analysis of the electronic financial services' development in Bulgaria, UNWE, Scientific Works 2004, University Publishing House "Stopanstvo", Sofia, 2004, pp. 215 – 254.
16. Trifonova, S., Results from the currency board's operation in Bulgaria, UNWE, Scientific Works 2001, Vol. 1, University Publishing House "Stopanstvo", Sofia, 2001, pp. 77 – 114.
17. Roussenova, L. and co-authors, Challenges facing financial sector and financial intermediation in Bulgaria in the context of its integration into the European Union, UNWE, Sofia, 2006.
18. Papers and materials on the personal website of Assoc. Prof. Dr. Silvia Trifonova: www.silvia-trifonova.microstat-analytics.com.
19. Papers and materials on the personal website of Prof. Nikolay Nenovsky: www.nenovsky.com.

In English

1. Goodhart, Ch., Can central banking survive the IT revolution?, 2001, LSE, FMG WP.
2. Goodhart, Ch., The two concepts of money: implications for the analysis of optimal currency areas, European Journal of political economy, Vol. 14, 1998, pp. 407-432.
3. Woodford, M., Interest and Prices: Foundations of a Theory of Monetary Policy, 2003.
4. Fisher, B., P. Koehler, F. Seitz, The demand for euro area currencies, ECB Working Papers, No. 330, 2004.
5. Fullenkamp, C., S. Nsouli, Six puzzles in electronic money and banking, IMF WP 04/19, International Monetary Fund, 2004, <http://www.imf.org/external/pubind.html>.
6. White, L., The theory of monetary institutions, Oxford, Blackwell Publishers, 1999.
7. Ajuzie, E., F. Edoho, W. Kang, M. Uwakonye, G. Keleta, Import response and inflationary pressures in the new economy: the quantity theory of money revisited, Journal of Business and Economics Research, Vol. 6, No. 5, May, 2008.
8. Menger, K., On the origin of Money, 1892.
9. Walsh, C., Monetary theory and policy, Cambridge, 1998.
10. McCallum, B., Monetary Economics. Theory and Policy, London, 1997.
11. Romer, D., Keynesian macroeconomics without the LM Curve, JEP, Spring, 2000.
12. De Grauwe, Economics of Monetary Union, 5th ed., 2006.

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14. Nenovsky N., E. Peev, T. Ylamov, Banks-firms nexus under the Currency board, 2003, BNB WP 32.
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18. Nenovsky, N. (2002). Comparing institutional and organizational design of Currency Boards in transition countries, (with K. Hristov and M. Mihaylov), Eastern European Economics, January – February Issue, vol. 40, 2002, pp. 3-36.
19. ECB, The monetary policy of the ECB, European Central Bank, Frankfurt am Main, 2004, <http://www.ecb.int/pub/html/index.en.html>.
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23. Roussenova, L., The 1996–1997 financial crisis in Bulgaria, Sofia: European Institute, 2002.
24. Horvath, J., Optimum currency area theory: a selective review, Bank of Finland, BOFIT, WP N 15, 2003, <http://www.bof.fi/>.
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B. ADDITIONAL

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1. Harsev, E., Evolution of money, Science and art, Sofia, 1991.
2. Hristov, M., S. Hristov, Book for the money, Publishing House “Abagar”, Veliko Turnovo, 2002.
3. BNB, Monetary and interest rates statistics, <http://www.bnb.bg/>.
4. Petrov, B., Bank Reserve Dynamics under Currency Board Arrangement in Bulgaria, BNB, Discussion Papers, DP/15/2000, <http://www.bnb.bg/>.
5. Trifonova, S., Peculiarities of the Bulgarian monetary statistics – theoretical approaches and empirical corroborations, Conference Proceedings, Academic session “Theoretical aspects of the economic research”, Academic Publishing House “Tsenov”, Svishtov, 2005, pp. 33–43.
6. Trifonova, S., Bank liquidity risk management by the Real-time Inter-bank Gross Settlement System RINGS, Bulgarian Accountant, Vol. 21, Publishing House “Accounting and control” LTD, Sofia, November 2005.
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17. Internet websites: Government of the Republic of Bulgaria - www.minfin.bg, Ministry of Finance of the Republic of Bulgaria - www.government.bg, Bulgarian National Bank /BNB/ – www.bnb.bg, EU Structural Funds - www.eufunds.bg, etc.

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