



# Universitas Islam Indonesia

## Faculty of Economics

### INTERNATIONAL PROGRAM

#### Syllabus Monetary Economics

Subject : Monetary Economics  
Credits : 3 Credits

#### Description

This course contains main issues of monetary economics which will be familiarized to the students. It will equip the students with the skills in using conceptual framework and analysis to understand those issues. The core of monetary economics is the role of money in economy. Money can affect economy directly by affecting interest rate, bank credit, and exchange rate. Therefore, this course regularly highlights the role of money in its relation to the financial system (financial market and financial intermediaries), interest rate and its behavior, money market, and behavior of exchange rate in affecting the economy. This course specifically also discusses about money, its creation process, central bank, and monetary policy conduct. Monetary theories presented as the framework in understand the relationship mentioned previously are theory of money demand, IS-LM model, aggregate model of demand and supply and model of rational expectation. In addition, another important issue discussed is the mechanism of monetary policy transmission.

#### Learning Outcomes

After completing this course, it is expected that the students are able to:

- Mastering the theory of macroeconomics, microeconomics and applied economics to analyze monetary economics.
- Identifying actual economic issues in monetary economics.
- Applying economic framework in analyzing and solving monetary problems.

#### Topics

1. The function, structure, and instruments of financial market
2. The meaning and function of money.
3. The evolution of payment system.
4. Interest rate.
5. The structure of Central Bank and Bank of Indonesia.
6. Simple model of multiple deposit creation.
7. The number of money multiplier and the factors affecting it.
8. The instruments of monetary policy and the role of Central Bank.
9. The money market and the role of Central Bank.
10. The theory of money demand.
11. The monetary policy in IS-LM.
12. The aggregate analysis of demand and supply
13. The mechanism of monetary policy transmission
14. The link of money, inflation, and monetary policy.
15. The model of rational expectation and its implication towards monetary policy.

**References**

Mishkin, F. S. (2007). *The economics of money, banking, and financial markets* (8th ed). Boston: Addison Wesley.

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Mingguan *the Economist* [www.economist.com](http://www.economist.com)