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Faculty of Economic and Management Sciences

Department of Economics

Economics 244: Monetary Policy

Module Outline

2019



NB: This document should be read with the General Information brochure for undergraduate students in Economics.

See https://learn.sun.ac.za/pluginfile.php/1468274/mod_resource/content/10/0%20Welcome%20Eng.pdf

I. INTRODUCTION

I.1. THE MODULE FRAMEWORK

This information document contains important information about the module that you might need during the semester. The module framework is a document that is regarded as a “contract” between a lecturer and student.

I.2. PREREQUISITES

Prerequisite pass modules: Economics 114 & 144

Corequisite module: Economics 214

I.3. MODULE AIM

Monetary policy is an important leg of macroeconomic stabilisation policy. The latter aims to achieve internal price stability (low inflation), financial stability (stability of the financial sector), balance of payments equilibrium and exchange rate stability, and income and employment stability over the business cycle. Similar to many other countries, South Africa has a flexible inflation targeting monetary policy framework implying a primary focus on curtailing inflation.

In the Economics 144 module, inflation and the policies to curb it were studied in the context of the AD/AS macroeconomic model. The focus now falls on the study of the practical application, rather than a theoretical consideration, of monetary policy and disinflation policies in the South African context.

I.4. MODULE OUTCOMES

After the successful completion of this module you will be able to:

- Explain how a variety of monetary policy instruments function.
- Analyse monetary policy implementation in a global context, with a specific focus on the period during and after the global financial crisis of 2008/9.
- Explain and analyse monetary policy implementation in South Africa since 2000 in order to critically evaluate the level of success achieved by the South African monetary authorities.

Should you achieve the above, you will be in a position to make sound economic decisions in your career informed by your understanding of the broad monetary and macroeconomic environment and specifically also the implications of then current monetary policy views and conduct.

I.5. LANGUAGE OF INSTRUCTION

The following language option outlined in the language plan of the Faculty is used to present Economics 244:

- Both Afrikaans and English are used in the same class group and the combination of facilitated learning opportunities is as follows:
 - During each lecture, all information is conveyed at least in English and summaries or emphasis on content are also given in Afrikaans. Questions in Afrikaans and English are, at the least, answered in the language of the question.
 - Students are supported in Afrikaans and English during a combination of appropriate, facilitated learning opportunities (e.g. consultations during office hours, or scheduled tutorials and Practicals).
 - For first-year modules, SU makes simultaneous interpreting available during each lecture. During the second and subsequent years of study, simultaneous interpreting is made available by SU upon request by a faculty, if the needs of the students warrant the service and SU has the resources to provide it. If two weeks have passed with no students making use of the interpreting service, it may be discontinued.

2. ADMINISTRATION

2.1. ECONOMICS 244 MODULE CONVENOR

Name	Office	E-mail address	Telephone number
Prof RCC Jafta	Schumann 516	rccj@sun.ac.za	021 808 2245

2.2. MONETARY POLICY LECTURER

Name	Office	E-mail address	Telephone number
Prof GA Schoombee	Schumann 518	gas2@sun.ac.za	021 808 2236

2.3. INTERNAL MODERATOR

Prof AP de Villiers

2.4. DEPARTMENTAL INFORMATION

Departmental telephone number: 021 808 2247

Physical address of the Department: 5th & 6th floors, CGW Schumann building, Bosman Street.

2.5. LECTURE TIMES AND VENUES

Group 1

Day and time	Venue
Monday 15:00	Industrial Psychology 1005
Tuesday 12:00	Van der Sterr 2121
Thursday 14:00	Industrial Psychology 1005

Group 2

Day and time	Venue
Tuesday 09:00	Industrial Psychology 1005
Wednesday 11:00	Industrial Psychology 1005
Friday 12:00	Industrial Psychology 1005

2.6. TUTORIAL TIMES AND VENUES

Day and time	Language group	Venue
Wednesday, 31 July 13:00	Afrikaans	CGW Schumann 204
Thursday, 1 August 13:00	English	Van der Sterr 1010
Friday, 2 August 14:00	Afrikaans	Van der Sterr 1033
Friday, 2 August 15:00	English	Van der Sterr 1033
Wednesday, 7 August 13:00	English & Afrikaans	CGW Schumann 204
Thursday, 8 August 13:00	English & Afrikaans	Van der Sterr 1010

3. PRESCRIBED LITERATURE

Department of Economics, US (2019). **Monetary Policy**. Prepared notes.

Du Plessis, S (2014). *Monetary policy in South Africa since 1994*, in Bhorat, H, Hirsch, A, Kanbur, R & Ncube, M (Eds). **The Oxford Companion to the Economics of South Africa**. Cape Town: Oxford University Press.

Laubscher, J (2009). *Policy continuity. Part 2: Monetary policy – everybody's favourite straw man*, **Sanlam Economic Commentary**, 4 February. Retrieved 12 June 2009 from http://www.sanlam.co.za/wps/wcm/connect/Sanlam_EN/sanlam/newsletters/economic+commentary/policy+continuity++part+2++monetary+policy++everybodys+favourite+straw+man

Van der Merwe, E, Mollentze, S, Leshoro, T, Rossouw, J & Vermeulen, C (2014). **Monetary Economics** (2nd edition). Cape Town: Oxford University Press, chapter 10.

4. MODULE CONTENT

1. **MACROECONOMIC POLICY**
2. **MONETARY POLICY: A broad overview**
 - 2.1 Definition and objectives
 - 2.2 The 2008/9 global financial crisis
 - 2.3 Monetary policy since the global financial crisis
 - 2.4 The monetary policy process
3. **MONETARY POLICY INSTRUMENTS**
 - 3.1 Market-oriented (indirect) instruments
 - 3.2 Non-market-oriented (direct) instruments
 - 3.3 Non-conventional instruments
4. **SOUTH AFRICAN MONETARY POLICY: INFLATION TARGETING**
 - 4.1 Reasons for the adoption of an inflation targeting monetary regime
 - 4.2 Ultimate objective
 - 4.3 Intermediate objective/target
 - 4.4 Monetary policy instruments
 - 4.5 Operational variable
 - 4.6 Monetary control system
 - 4.7 Evaluation of monetary policy

5. FLEXIBLE ASSESSMENT FOR SEMESTER MODULES

Flexible assessment, in line with the Undergraduate Assessment Regulation of the Faculty of Economic and Management Sciences, is followed in this module. Please watch the student information video regarding the EMS Undergraduate Assessment Regulation on your module's SUNLearn page and read the regulation on the Faculty's webpage (www.sun.ac.za/ems under current students tab).

The weights and details of all the assessments are in the *General Information* brochure, which can be found on this module's SUNLearn page (https://learn.sun.ac.za/pluginfile.php/1468276/mod_resource/content/9/2%20Second%20Years%20Eng.pdf, see p6).