Course Title: Monetary Issues In Economic Development  
Course Code: ECON 6012  
Lecturer: Lester Henry, PHD  
Office Hours: Monday and Thursdays, 2-4pm. Room 214 OLD SS Building  
E-mail: Lester.Henry@sta.uwi.edu

COURSE DESCRIPTION  
This course examines alternative approaches to understanding the role of money and finance in economic development. It also examines the role and limitations of monetary policy in the context of a small open economy and the role of interest rates, and exchange rates. We will also look at domestic capital markets, as well as the interaction between the formal banking sector and the informal financial sector of developing economies. There will be a review of the role of development banks, multilateral institutions and governments in financial market operations. We also examine the effect of financial policy reforms and regulations on the performance of financial markets. The course contains both a theoretical component and empirical findings of studies on developing countries, with particular emphasis on the Caribbean.

This course will make use of some of the large body of literature that already exists on monetary and financial issues affecting developing countries and, in particular, the Caribbean. For example, readings will be taken from the numerous papers presented at the CCMS conferences over the years. Additionally, standard textbook treatment of the main topics will be presented and critiqued.

LEARNING OBJECTIVES

It is expected that students completing this course will be able to:

Clearly understand the role that monetary policy can play in the process of enhancing economic growth and development

Appreciate the meaning and functions of monetary policy, and the evolution of the current system of payments

Understand the role of financial institutions and monetary policy in Trinidad and Tobago and the wider Caribbean

Understand the basic tools of monetary policy, and the role and function of the Central Bank

Appreciate the main pros and cons of forming a Caribbean Monetary Union, and the benefits and pitfalls of the participation in agreements such as the FTAA, and the WTO
COURSE REQUIREMENTS:

Presentation (20 percent)
You are required to prepare and present a half an hour presentation on a course topic. The presentation must also be written up for distribution to others in the class before its due date. Presentations should not be merely copying and pasting form other peoples papers but a thoughtful literature review of the topic plus your own view. A minimum of 6 references will be acceptable. Reading “word-for-word” form the paper is also not allowed.

Attendance and Participation
You are required to attend and participate in all class discussions. Each class member is required to have a comment or a question on each topic that is presented. Failure to do so will result in a penalty on your presentation.

Examination (80 percent)
You will be required to write a 3-hr Final Exam

COURSE TOPICS
2. Monetary Policy and Interest Rates in the Caribbean
3. Exchange Rate Issues in the Caribbean
4. Financial Liberalization: Issues and Consequences
5. Implications of Globalization of Financial Markets
7. Finance and Inequality
8. The Role Financial Institutions in Development
10. The Central Bank: Regulation and Policy Issues
11. Capital Flight and Money Laundering
12. Recent Developments in the Local Financial System
READING LIST FOR TOPICS (TENTATIVE)

1. Monetary Theory and Policy Making in a Small Open Economy


2. Monetary Policy and Interest Rates


3. Exchange Rate Issues in the Caribbean


4. Financial Liberalization: Issues and Consequences


Henry, L. (2000) “Aspects of Financial Liberalization: The Case of Trinidad and Tobago”, the Faculty of Social Sciences Working Paper Series, University of the West Indies, St. Augustine


5. Globalization of Financial Markets and Financial Crises


Ghosh, J. “The Economic and Social Effects of Financial Liberalization: A Primer for Developing Countries”


Lester Henry, PhD
Department of Economics
January, 2010


CARICOM Secretariat (2005), Trade and Investment Report 2005, Chapter VI “Transnationalization in the Financial Services Sector”.


7. International Finance and Inequality


9. The Role Financial Institutions in Development


Investment: International Evidence”, working Paper, University of Massachusetts at Amherst, Department of Economics.


10. The Central Bank: Regulation and Policy Issues


11. Capital Flight, Investment and Money Laundering
