



UNIVERSITY OF  
SASKATCHEWAN

Department of Economics

## ECON 411.3 (02) MONETARY THEORY

T2: 2021/22

### Course Details

<b>Time:</b>	Tuesday and Thursday 13:00-14:20
<b>Location:</b>	EDUC 2060
<b>Prerequisites:</b>	ECON 214 and a junior course in calculus Please note: A decent background in math and statistics (as conveyed in ECON 306 and ECON 304) will be an asset.
<b>Course Description:</b>	An examination of recent developments in the field of monetary theory. Topics include market-clearing and non-market-clearing models of business cycle fluctuations, rational expectations, the policy ineffectiveness debate, and the time inconsistency of optimal policy.
<b>Website:</b>	Some materials will be available on Canvas.

### Expected Learning Outcomes

This course introduces various ways of modelling monetary economies. It is designed to prepare students for graduate-level macroeconomics. Upon successful completion, students will have a good knowledge and understanding of the nature and role of money as well as the effects of monetary policy. They will be familiar with a number of important macroeconomic concepts, including dynamic general equilibrium models with infinitely lived households and overlapping generations, rational expectations, the Phillips Curve, and the New Keynesian framework.

### Instructor

Andreas Pollak      Phone: 966-5221  
Arts 812              E-mail: a.pollak@usask.ca (preface subject with "ECON411")  
**Office Hours:**              Tuesday and Thursday, 14:30-15:15, or by appointment

### Tutorials

There will be biweekly tutorial sessions starting in week 2 or 3 of the term. Further details will be announced at the beginning of the term.

Attendance is optional, but recommended.

In the tutorials, a teaching assistant will discuss assignments, solve problem sets, assist you in practicing for exams and answer your questions.

Assignments will typically be returned during these tutorial sessions, although other arrangements are possible for students not planning to attend.

## Course Outline and Readings

Most of the material is covered in:

Champ, Freeman and Haslag: *Modeling Monetary Economies*, fourth edition. Cambridge: Cambridge University Press, 2016. [referred to as **CFH** below]

Please note that the second edition of this book, which is almost identical to the current one, is available online through the library at <https://ebookcentral.proquest.com/lib/usask/detail.action?docID=202238>.

Where the second-edition chapter numbers are different, they are provided as [CFH2: xx].

Links to the other required readings will be posted on online.

Additional references that are potentially of interest include:

Obstfeld and Rogoff: *Foundations of International Macroeconomics*, Cambridge, MA: MIT Press, 1996. [**OR**]

Handa: *Monetary Economics*, 2nd edition, London: Routledge, 2009. [**Handa**]

OR will be put on reserve in the library, and the first edition of Handa is available online at <https://ebookcentral.proquest.com/lib/usask/detail.action?docID=178648>.

1. Introduction  
**CFH, Chapter 3.1-3.4 [CFH2: 2]**
2. Money as a Store of Value  
**CFH, Chapters 1, 2, 16 and 4 [CFH2: 1, 14, 3]**  
OR, Chapter 8.2  
Handa, Chapters 21, 22.1
3. Money as a Medium of Payment  
OR, Chapter 8.3.1-8.3.6  
Handa, Chapters 3.3-3.14, 23.1-23.2
4. Money and Other Assets  
**CFH, Chapters 7, 3.5 and 11 [CFH2: 6, 2, 10]**  
OR, Chapter 8.7  
Handa, Chapter 22.2-22.4
5. The Government and Monetary Policy  
**CFH, Chapters 15, 17 and 18 [CFH2: 13, 15, 16]**
6. Price Surprises  
**CFH, Chapter 6 [CFH2: 5]**  
Handa, Chapter 22.5  
Wallace, Neil, 1992: "Lucas's signal-extraction model: A finite state exposition with aggregate real shocks," *Journal of Monetary Economics*, Elsevier, vol. 30(3), pages 433-447, December.

7. Sticky Prices

**Richard Clarida & Jordi Gali & Mark Gertler, 1999: "The Science of Monetary Policy: A New Keynesian Perspective," *Journal of Economic Literature*, American Economic Association, vol. 37(4), pages 1661-1707, December.**  
**Handa, Chapter 15.4**

Optional topic:

8. Money and Search

**Williamson (1999): "Notes on Macroeconomic Theory", Chapter 8**

Required readings for each topic are printed in **bold** font.

The course outline and reading list are preliminary and may be updated during the term.

Evaluation
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There will be three components to your grade:

Component	Date	Weight
Assignments	TBA	15%
Midterm Exam	March 3	25%
Final Exam	TBA	60%

The weight of the midterm or assignment component will be shifted to the final if this results in a better overall grade.

**Assignments:**

You will complete a number of assignments (approx. 4 to 5) during the term. If you receive help from any source (book, another person, website) you must acknowledge it on your assignment. Failure to do so may constitute academic misconduct. You will have at least one week to complete each assignment. While you are encouraged to cooperate solving the assignments, I expect the answers that are handed in to reflect students' individual contributions. Late assignments will not be accepted. Answer keys will be posted online, and the assignments will be discussed in the tutorials.

There will also be a similar number of "problem sets," which are comprised of practice questions similar to assignments. Just as assignments, the problem sets will be discussed in the tutorials and answer keys will be posted online. Even though they are not handed in and graded, it is recommended that you attempt to solve them before attending the tutorial or reading the answer key.

- Exams:** There will be an 80-minute midterm exam Exams will be cumulative and test your understanding of the subject material and your ability to analyze and formulate solutions to specific problems. The assignments are intended to assist you in the preparation for the exams, but note that exam questions are typically different from assignment questions. The midterm exam is closed book. Electronic devices will not be permitted during closed-book exams, with the exception of approved non-programmable calculators without communication functions. There will be no deferred midterms.
- Missed Components:** If assignments or the midterm exam cannot be completed for a justifiable reason, it may be possible to make alternative arrangements *prior to* the due date at the instructor's discretion. If no such arrangements are made and the component is missed, a grade of 0 will be assigned, unless the student provides written documentation of circumstances beyond his or her control that prevented him or her from completing the assignment on time. (This documentation typically takes the form of a doctor's note.)
- Attendance:** University policies apply. Regular attendance is highly recommended.
- Grading System:** See <https://students.usask.ca/academics/grading/grading-system.php> for a description of the percentage grading system used in this course.
- Grade Distribution:** See <https://homepage.usask.ca/~anp328/?teaching> for the historic grade distribution in this course.

Other Information
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*Recording of the Course*

Students will be allowed to record lectures if they provide a reasonable rationale and if there are no objections by other students.

*Copyright*

Course materials are provided to you based on your registration in a class, and anything created by your professors and instructors is their intellectual property and cannot be shared without written permission. If materials are designated as open education resources (with a creative commons license) you can share and/or use in alignment with the CC license. This includes exams, PowerPoint/PDF slides and other course notes. Additionally, other copyright-protected materials created by textbook publishers and authors may be provided to you based on license terms and educational exceptions in the Canadian Copyright Act (see <http://laws-lois.justice.gc.ca/eng/acts/C-42/index.html>).

Before you copy or distribute others' copyright-protected materials, please ensure that your use of the materials is covered under the University's Fair Dealing Copyright Guidelines available at <https://library.usask.ca/copyright/general-information/fair-dealing-guidelines.php>. For example, posting others' copyright-protected materials on the open web is not covered under the University's Fair Dealing Copyright Guidelines, and doing so requires permission from the copyright holder. For more information about copyright, please visit <https://library.usask.ca/copyright/index.php> where there is information for students available at <https://library.usask.ca/copyright/students/rights.php>, or contact the University's Copyright Coordinator at <mailto:copyright.coordinator@usask.ca> or 306-966-8817.

*Integrity Defined (from the Office of the University Secretary)*

The University of Saskatchewan is committed to the highest standards of academic integrity (<https://academic-integrity.usask.ca/>). Academic misconduct is a serious matter and can result in grade penalties, suspension, and expulsion.

**Prepare for Integrity**

Students are expected to act with academic integrity.

- Students are encouraged to complete the Academic Integrity Tutorial to understand the fundamental values of academic integrity and how to be a responsible scholar and member of the USask community (tutorial link: <https://libguides.usask.ca/AcademicIntegrityTutorial>).
- Students can access campus resources that support development of study skills, time and stress management, and ethical writing practices important for maintaining academic integrity and avoiding academic misconduct.

**Responses to Misconduct**

Students are expected to be familiar with the academic misconduct regulations (<https://governance.usask.ca/student-conduct-appeals/academic-misconduct.php#About>).

- Definitions appear in Section II of the academic misconduct regulations.
- The academic misconduct regulations apply regardless of type of assessment or presence of supervision during assessment completion.
- Students are advised to ask for clarification as to the specific expectations and rules for assessments in all of their courses.
- Students are urged to avoid any behaviour that could result in suspicions of cheating, plagiarism, misrepresentation of facts. Students should note that posting copyrighted course materials (e.g., notes, questions, assignments or exams) to third party websites or services or other forum or media without permission is an academic or non-academic misconduct offense. Non-academic offenses are dealt with under the Standard of Student Conduct in NonAcademic Matters and Regulations and Procedures for Resolution of Complaints and Appeals.

### *Examinations with Access and Equity Services (AES)*

Students who have disabilities (learning, medical, physical, or mental health) are strongly encouraged to register with Access and Equity Services (AES) if they have not already done so. Students who suspect they may have disabilities should contact AES for advice and referrals at any time. Those students who are registered with AES with mental health disabilities and who anticipate that they may have responses to certain course materials or topics, should discuss course content with their instructors prior to course add / drop dates. In order to access AES programs and supports, students must follow AES policy and procedures. For more information or advice, visit <https://students.usask.ca/health/centres/access-equity-services.php>, or contact AES at 306-966-7273 or [aes@usask.ca](mailto:aes@usask.ca).

Students registered with AES may request alternative arrangements for mid-term and final examinations. Students must arrange such accommodations through AES by the stated deadlines. Instructors shall provide the examinations for students who are being accommodated by the deadlines established by AES.

For information on AES services for Fall 2021 please visit:

<https://students.usask.ca/health/centres/access-equity-services.php#Fall2021Information>

### *Student Supports*

#### Academic Help for Students

The University Library offers a range of learning and academic support to assist USask undergrad and graduate students. For information on specific services, please see the Learning page on the Library web site <https://library.usask.ca/support/learning.php>.

Remote learning support information <https://students.usask.ca/remote-learning/index.php>

Class and study tips <https://students.usask.ca/remote-learning/class-and-study-tips.php>

Remote learning tutorial [https://libguides.usask.ca/remote\\_learning](https://libguides.usask.ca/remote_learning)

Study skills materials for online learning <https://libguides.usask.ca/studyskills>

A guide on netiquette, principles to guide respectful online learning interactions

<https://teaching.usask.ca/remote-teaching/netiquette.php>

#### Teaching, Learning and Student Experience

Teaching, Learning and Student Experience (TLSE) provides developmental and support services and programs to students and the university community. For more information, see the students' web site <http://students.usask.ca>.

#### Financial Support

Any student who faces challenges securing their food or housing and believes this may affect their performance in the course is urged to contact Student Central (<https://students.usask.ca/student-central.php>).

#### Aboriginal Students' Centre

The Aboriginal Students' Centre (ASC) is dedicated to supporting Aboriginal student academic and personal success. The centre offers personal, social, cultural and some academic supports to Métis, First Nations, and Inuit students. The centre is also dedicated to intercultural education, bringing Aboriginal and non-Aboriginal students together to learn from, with and about one another in a respectful, inclusive and safe environment. Students are encouraged to visit the ASC's Facebook page (<https://www.facebook.com/aboriginalstudentscentre/>) to learn more.

### International Student and Study Abroad Centre

The International Student and Study Abroad Centre (ISSAC) supports student success and facilitates international education experiences at USask and abroad. ISSAC is here to assist all international undergraduate, graduate, exchange and English as a Second Language students in their transition to the University of Saskatchewan and to life in Canada. ISSAC offers advising and support on matters that affect international students and their families and on matters related to studying abroad as University of Saskatchewan students. Please visit [students.usask.ca](http://students.usask.ca) for more information.