



UNIVERSITY OF
SASKATCHEWAN

Department of Economics

ECON 411.3 (02)

MONETARY THEORY

T2: 2023/24

Course Details

Time:	Monday and Wednesday 13:00-14:20
Location:	Arts 109
Prerequisites:	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.
Course Description:	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.
Website:	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: 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*, fifth edition. Cambridge: Cambridge University Press, 2022. [referred to as **CFH** below]

Using an older edition (second to fourth) of the book is perfectly fine. Older edition chapter references are available on request. 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>.

Second-edition chapter numbers are provided as [CFH2: xx].

Links to the other required readings can be found below.

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**]

A copy of OR can be borrowed from the instructor, and the first edition of Handa is available online at <https://ebookcentral.proquest.com/lib/usask/detail.action?docID=178648>.

1. Introduction
CFH, Chapter 4.1-4.3 [CFH2: 2]
2. Money as a Store of Value
CFH, Chapters 1, 2, 3, 17 and 5 [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 8, 4.4 and 12 [CFH2: 6, 2, 10]
OR, Chapter 8.7
Handa, Chapter 22.2-22.4
5. Monetary Policy Regimes
CFH, Chapters 16, 18 and 19 [CFH2: 13, 15, 16]
6. Price Surprises
CFH, Chapter 7 [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. [https://doi.org/10.1016/0304-3932\(92\)90005-M](https://doi.org/10.1016/0304-3932(92)90005-M)

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.

<https://doi.org/10.1257/jel.37.4.1661>

Handa, Chapter 15.4

Optional topic:

8. Money and Search

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

<http://www.econ.yale.edu/smith/econ510a/notes99.pdf>

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

There will be three components to your grade:

Component	Date	Weight
Assignments	TBA	15%
Midterm Exam	February 28	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. You will have at least one week to complete each assignment. 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 and a 3-hour final. 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. All exams closed book. Electronic devices will not be permitted during 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 <i>prior to</i> 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.
Participation:	There are no specific participation requirements.
Grading and Credit:	This course uses a percentage grading scheme. To receive credit for this course, an overall passing grade is required.
Grade Distribution:	See http://usask.pollak.org/?teaching for the historic grade distribution in this course.

Other Information

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.

Midterm and Final Examination Scheduling Final examinations may be scheduled at any time during the examination period (see <https://students.usask.ca/academic-calendar/> for the specific dates this term); students should therefore avoid making prior travel, employment, or other commitments for this period. If a student is unable to write an exam through no fault of his or her own for medical or other valid reasons, documentation must be provided and an opportunity to write the missed exam may be given. Students are encouraged to review all examination policies and procedures: <http://students.usask.ca/academics/exams.php>

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 copyright.coordinator@usask.ca or 306-966-8817.

Integrity

The University of Saskatchewan is committed to the highest standards of academic integrity. <https://academic-integrity.usask.ca/>

Students are urged to read the Regulations on Academic Misconduct and to avoid any behaviours that could potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offence.

For help developing the skills for meeting academic integrity expectations, see: <https://academic-integrity.usask.ca/students.php>

Students are encouraged to ask their instructors for clarification on academic integrity requirements.

Examinations with Access and Equity Services (AES)

Access and Equity Services (AES) is available to provide support to students who require accommodations due to disability, family status, and religious observances.

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.

Students who require accommodations for pregnancy or substantial parental/family duties should contact AES to discuss their situations and potentially register with that office.

Students who require accommodations due to religious practices that prohibit the writing of exams on religious holidays should contact AES to self-declare and determine which accommodations are appropriate. In general, students who are unable to write an exam due to a religious conflict do not register with AES but instead submit an exam conflict form through their PAWS account to arrange accommodations.

Any student registered with AES, as well as those who require accommodations on religious grounds, may request alternative arrangements for mid-term and final examinations by submitting a request to AES by the stated deadlines. Instructors shall provide the examinations for students who are being accommodated by the deadlines established by AES.

For more information or advice, visit <https://students.usask.ca/health/centres/access-equity-services.php>, or contact AES at 306-966-7273 (Voice/TTY 1-306-966-7276) or email aes@usask.ca.

Student Supports

Academic Help - University Library

Visit the University Library (<https://library.usask.ca/>) and Learning Hub (<https://library.usask.ca/studentlearning/>) to find supports for undergraduate and graduate students with first-year experience, study skills, learning strategies, research, writing, math and statistics. Students can attend workshops (<https://library.usask.ca/studentlearning/#Eventsandworkshop>), access online resources and research guides (<https://libguides.usask.ca/>), book 1-1 appointments (<https://libcal.usask.ca/appointments>) or hire a subject tutor (<https://usask.tutorocean.com/search?page=1&sortBy=bestMatch&subjectTutorsForHire=true>) through the USask Tutoring Network (<https://library.usask.ca/studentlearning/tutor.php>)

Connect with library staff through the AskUs (<https://library.usask.ca/askus/index.php>) chat service or visit various library locations (<https://library.usask.ca/hours.php>) on campus.

Enrolled in an online course? Explore the Online Learning Readiness Tutorial (https://libguides.usask.ca/Online_Learning_Readiness_Tutorial)

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 for more information.