

Huron University College
Economics 3371b 550
Monetary Economics

Desmond McKeon
Office: A8
Office Hours: Thursdays 2:30- 3:30pm
Email dmckeon@uwo.ca
Class: Mondays – 6:30-9:30pm
Classroom: W103

Course description.

This course will examine the role of money in the economy. We will begin by establishing the demand for money using an overlapping generations framework followed by an investigation into the behavior of interest rates. Next, we will investigate the nature of banking and risk management followed by the role of central banking and the tools and conduct of monetary policy

Antirequisite(s): [Economics 2154A/B](#), [Economics 3330A/B](#).

Prerequisite(s): [Economics 2221A/B](#)

Course objectives

- Students will become familiar with the financial system and its day-to-day operation.
- Student will be able to critically evaluate the policies of Central Banks.
- Students will gain an understanding of the link between the financial markets and the macroeconomy.
- Students will gain insight into the banking industry and its industrial organization.

Course Materials.

The course has a main text Mishkin, Frederic and Apostolos Serletis, *Money, Banking and Financial Markets* sixth Canadian Edition, Pearson 2016. **This text is recommended.** Supplementary material may be taken from:

Champ, Bruce, Scott Freeman *Modeling Monetary Economies* second edition, Cambridge University Press 2001. (or any other edition)

Fender, John *Monetary Policy*, Wiley 2012.

Walsh, Carl E. *Monetary Theory and Policy*, MIT Press 1998

In addition there are some excellent websites from central banks that contain research articles on monetary economics.

For example, we will often use the Bank of Canada site (www.bankofcanada.ca) as a source of material.

The class will also have its own website on OWL Additional required and optional material will be posted periodically on this site. TO ACCESS THE SITE YOU MUST HAVE YOUR UWO USER NAME AND PASSWORD_ (this is one you get at registration to access your UWO mail.)

Assessment.

There will be two midterm tests worth 30% each, a group assignment worth 30% and a participation worth 10%. Please note participation marks may entail short quizzes given in class or discussions on assigned readings. **There are no make-up assignments for missed classroom assessments.**

The midterm exams must be written on the assigned dates. Make up exams will not be given. **In extraordinary circumstances, which must be supported by verifiable official documentation,** the marks allocated to a missed midterm will be redistributed. Documentation supporting the absence at the test must be submitted and approved by the counseling office.

The group assignment consists of selecting, summarizing and reporting on a journal article. The rationale for the assignment is to provide experience in reading professional/academic articles in monetary economics. **This is a skill that is essential for graduate study or for a professional career.**

The assignment consists **of two parts.** The first part is a written submission (ONE per group) containing a summary of the article that explains its salient points. The second part consists of presenting the summarized version in a seminar.

Your choice of article must come from a mainstream professional journal, a paper from the research department of a central bank or from a handbook or other source of collected works.

Also, your choice of article must be approved by the instructor. **Failure to get approval will result in the article not being accepted.**

Students should try and select their group early in the term.

Important Dates (Tentative)

Tests

Midterm I Feb 4
Midterm II.....March 18

Group presentationsbegin March 25

Course Outline

Chapters in this list refer to the Mishkin text.-**Material from other sources will be posted on OWL**

Introduction to an OLG monetary model-	(Notes).
Behaviour of Interest rates.....	Chapters 4, 5
Term structure and Yield Curve.....	Chapter 6
Stock Markets and EMH.....	Chapter 7
Financial crisis, Banking and risk management.....	Chapters 9,10,12,13
Multiple Deposit Creation.....	Chapter 15
Money Supply.....	Chapter 15
Tools and Conduct of Monetary Policy*	Chapters 16, 17
The Demand for Money*	Chapter 20
Monetary Policy Theory*	Chapters 22, 24
Expectations Theories.....	Chapter 25
The Transmission Mechanisms*	Chapter 26

* Extra material will be added.

PLEASE NOTE.

THIS IS A TENTATIVE OUTLINE **ADDITONS AND/OR DELETION OF MATERIAL MAY OCCUR AS THE COURSE PROGRESSES. IT IS INCUMBENT ON ALL PARTICIPENTS TO KEEP INFORMED OF ANY CHANGES.**
The pace of the course is also flexible. We may go faster or slower than above dates. indicated by the

Please note – **there are no makeups given for missed class tests for any reason whatsoever.**

To receive accommodation for a missed test the student must contact the counselling office.

If proper procedures have been followed and relief for missed classes has been granted by the counselling office then the marks for the missed test will be reallocated.

To repeat: **You must obtain accommodation for missed tests from the counselling office.**

The instructor will not arbitrarily grant accommodation for missed tests

Appendix to Course Outlines

Prerequisite and Antirequisite Information

Students are responsible for ensuring that they have successfully completed all course prerequisites and that they have not completed any course antirequisites. Unless you have either the requisites for this course or written special permission from your Dean to enrol in it without them, you may be removed from this course and it will be deleted from your record. If you enrol in this course despite having already taken an antirequisite you may be removed from this course and it will be deleted from your record. Removals for these reasons may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites or for having already taken the antirequisites.

Conduct of Students in Classes, Lectures, and Seminars

Membership in the community of Huron University College and the University of Western Ontario implies acceptance by every student of the principle of respect for the rights, responsibilities, dignity and well-being of others and a readiness to support an environment conducive to the intellectual and personal growth of all who study, work and live within it. Upon registration, students assume the responsibilities that such registration entails. The academic and social privileges granted to each student are conditional upon the fulfillment of these responsibilities.

In the classroom, students are expected to behave in a manner that supports the learning environment of others. Students can avoid any unnecessary disruption of the class by arriving in sufficient time to be seated and ready for the start of the class, by remaining silent while the professor is speaking or another student has the floor, and by taking care of personal needs prior to the start of class. If a student is late, or knows that he/she will have to leave class early, be courteous: sit in an aisle seat and enter and leave quietly.

Please see the *Code of Student Conduct* at:

<https://huronuc.on.ca/sites/default/files/pdfs/Code%20of%20Student%20Conduct.pdf>

Technology

It is not appropriate to use technology (such as, but not limited to, laptops, cell phones) in the classroom for non-classroom activities. Such activity is disruptive and is distracting to other students and to the instructor, and can inhibit learning. Students are expected to respect the classroom environment and to refrain from inappropriate use of technology and other electronic devices in class.

Academic Accommodation for Medical/Non-Medical Grounds

Students who require special accommodation for tests and/or other course components must make the appropriate arrangements with the Student Development Centre (SDC). Further details concerning policies and procedures may be found at:

http://www.sdc.uwo.ca/ssd/?requesting_acc

(a) Medical Grounds for assignments worth 10% or more of final grade: Go Directly to Academic Advising

University Senate policy, which can be found at http://www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_medical.pdf, requires that all student requests for accommodation on medical grounds for assignments worth 10% or more of the final grade be made directly to the academic advising office of the home faculty (for Huron students, the “home faculty” is Huron), with supporting documentation in the form (minimally) of the Senate-approved Student Medical Certificate found at: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform_15JUN.pdf.

The documentation is submitted in confidence and will not be shown to instructors. The advisors will contact the instructor when the medical documentation is received, and will outline the severity and duration of the medical challenge as expressed on the Student Medical Certificate and in any other supporting documentation. The student will be informed that the instructor has been notified of the presence of medical documentation, and will be instructed to work as quickly as possible with the instructor on an agreement for accommodation. The instructor will not normally deny accommodation where appropriate medical documentation is in place and where the duration it describes aligns with the due date(s) of assignment(s). Before denying a request for accommodation on medical grounds, the instructor will consult with the Dean. The instructor’s decision is appealable to the Dean.

(b) Accommodation on Medical Grounds for assignments worth less than 10% of final grade: Consult Instructor Directly

When seeking accommodation on medical grounds for assignments worth less than 10% of the final course grade, the student should contact the instructor directly. The student need only share broad outlines of the medical situation. The instructor **may** require the student to submit documentation to the academic advisors, in which case she or he will advise the student and inform the academic advisors to expect documentation. The instructor may **not** collect medical documentation. The advisors will contact the instructor when the medical documentation is received, and will outline the severity and duration of the medical challenge as expressed on the Student Medical Certificate and in any other supporting documentation. The student will be informed that the instructor has been notified of the presence of medical documentation, and will be instructed to work as quickly as possible with the instructor on an agreement for accommodation. The instructor will not normally deny accommodation where appropriate medical documentation is in place and where the duration it describes aligns with the due date(s) of assignment(s). Before denying a request for accommodation on medical grounds, the instructor will consult with the Dean. The instructor’s decision is appealable to the Dean.

(c) Non-medical Grounds: Consult Instructor Directly

Where the grounds for seeking accommodation are not medical, the student should contact the instructor directly. Late penalties may apply at the discretion of the instructor. Apart from the exception noted below, academic advisors will not be involved in the process of accommodation for non-medical reasons.

Where a student seeks accommodation on non-medical grounds where confidentiality is a concern, the student should approach an academic advisor with any documentation available. The advisors will contact the instructor after the student's request is received, and will outline the severity and duration of the challenge without breaching confidence. The student will be informed that the instructor has been notified that significant circumstances are affecting or have affected the student's ability to complete work, and the student will be instructed to work as quickly as possible with the instructor on an agreement for accommodation. Before denying a request for accommodation where documentation has been submitted to an academic advisor, the instructor will consult with the Dean. The instructor's decision is appealable to the Dean.

Statement on Academic Offences

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site:

http://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_undergrad.pdf

Statement on Academic Integrity

The International Centre for Academic Integrity defines academic integrity as "a commitment, even in the face of adversity, to five fundamental values: honesty, trust, fairness, respect, and responsibility. From these values flow principles of behaviour that enable academic communities to translate ideals to action." (CAI Fundamental Values Project, 1999).

A lack of academic integrity is indicated by such behaviours as the following:

- Cheating on tests;
- Fraudulent submissions online;
- Plagiarism in papers submitted (including failure to cite and piecing together unattributed sources);
- Unauthorized resubmission of course work to a different course;
- Helping someone else cheat;
- Unauthorized collaboration;
- Fabrication of results or sources;
- Purchasing work and representing it as one's own.

Academic Integrity: Importance and Impact

Being at university means engaging with a variety of communities in the pursuit and sharing of knowledge and understanding in ways that are clear, respectful, efficient, and productive.

University communities have established norms of academic integrity to ensure responsible, honest, and ethical behavior in the academic work of the university, which is best done when sources of ideas are properly and fully acknowledged and when responsibility for ideas is fully and accurately represented.

In the academic sphere, unacknowledged use of another's work or ideas is not only an offence against the community of scholars and an obstacle to academic productivity. It may also be understood as fraud and may constitute an infringement of legal copyright.

A university is a place for fulfilling one's potential and challenging oneself, and this means rising to challenges rather than finding ways around them. The achievements in an individual's university studies can only be fairly evaluated quantitatively through true and honest representation of the actual learning done by the student. Equity in assessment for all students is ensured through fair representation of the efforts by each.

Acting with integrity at university constitutes a good set of practices for maintaining integrity in later life. Offences against academic integrity are therefore taken very seriously as part of the university's work in preparing students to serve, lead, and innovate in the world at large.

A university degree is a significant investment of an individual's, and the public's, time, energies, and resources in the future, and habits of academic integrity protect that investment by preserving the university's reputation and ensuring public confidence in higher education.

Students found guilty of plagiarism will suffer consequences ranging from a grade reduction to failure in the course to expulsion from the university. In addition, a formal letter documenting the offence will be filed in the Dean's Office, and this record of the offence will be retained in the Dean's Office for the duration of the student's academic career at Huron University College.

All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com.

Computer-marked multiple-choice tests and/or exams may be subject to submission for similarity review by software that will check for unusual coincidences in answer patterns that may indicate cheating.

Personal Response Systems ("clickers") may be used in some classes. If clickers are to be used in a class, it is the responsibility of the student to ensure that the device is activated and functional. Students must see their instructor if they have any concerns about whether the clicker is malfunctioning. Students must use only their own clicker. If clicker records are used to compute a portion of the course grade:

- the use of somebody else's clicker in class constitutes a scholastic offence,
- the possession of a clicker belonging to another student will be interpreted as an attempt to commit a scholastic offence.

Policy on Special Needs

Students who require special accommodation for tests and/or other course components must make the appropriate arrangements with the Student Development Centre (SDC). Further details concerning policies and procedures may be found at:

http://www.sdc.uwo.ca/ssd/?requesting_acc

Attendance Regulations for Examinations

A student is entitled to be examined in courses in which registration is maintained, subject to the following limitations:

- 1) A student may be debarred from writing the final examination for failure to maintain satisfactory academic standing throughout the year.
- 2) Any student who, in the opinion of the instructor, is absent too frequently from class or laboratory periods in any course will be reported to the Dean of the Faculty offering the course (after due warning has been given). On the recommendation of the Department concerned, and

with the permission of the Dean of that Faculty, the student will be debarred from taking the regular examination in the course. The Dean of the Faculty offering the course will communicate that decision to the Dean of the Faculty of registration.

Class Cancellations

In the event of a cancellation of class, every effort will be made to post that information on the Huron website, <https://huronuc.on.ca/about/accessibility> (“Cancellations and Closures”).

Mental Health @ Western

Students who are in emotional/mental distress should refer to Mental Health @ Western <http://www.uwo.ca/uwocom/mentalhealth/> for a complete list of options about how to obtain help.

Academic Advising

For advice on course selections, degree requirements, and for assistance with requests for medical accommodation [see above], students should contact an Academic Advisor in Huron’s Student Support Services (huronsss@uwo.ca). An outline of the range of services offered is found on the Huron website at: <https://huronuc.ca/student-life-campus/student-services/academic-advising>

Department Chairs and Program Directors and Coordinators are also able to answer questions about their individual programs. Their contact information can be found on the Huron website at: <https://huronuc.ca/student-life-campus/art-social-science>