

**Syllabus**  
Economics 404  
Topics in Money and Finance  
Fall 2016

**Instructor:** Matthew Doyle  
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**Office Hours:** Monday and Friday, 1-2:30pm.

**Meetings:**

This class meets on Monday, Wednesday, and Friday from 10:30-11:20 in AL 124.

**Overview:**

This course covers macroeconomic aspects of modern monetary economics. It will focus on issues related to the nature of money and monetary economics, monetary policy as seen through the lens of modern mainstream monetary theory, and macroeconomic aspects of banking and financial markets.

**Textbook:**

The two main textbooks for this course are:

Ball, L. Money, Banking and Financial Markets  
Walsh, C. Monetary Theory and Policy

Another textbook which may be of some use to you, particularly if you are interested in Canadian institutional details, is: Mishkin, F. and Serletis, P. The Economics of Money, Banking, and Financial Markets (I have not asked the bookstore to purchase copies of this book, but some of you may have bought it for Econ 304).

I will place copies of all recommended textbooks on course reserve at the library. I will post additional readings on UWLearn as the semester progresses.

**Economic Pre-requisites:**

For better or worse, modern monetary economics makes heavy use of the one sector neoclassical growth model. You are expected to be familiar with the key building blocks of this model, which can be found in intermediate macroeconomics textbooks.

Make sure you are familiar with the following material from Williamson, S. (2013)

Macroeconomics:

Consumer optimization (Chp. 4, incl. mathematical appendix)

Firm optimization (Chp. 4, incl. mathematical appendix)

General equilibrium with production in one period (Chp. 5, incl. mathematical appendix)

Consumption-Saving (Chp. 9, incl. mathematical appendix)

I will place a copy of this book on course reserve at the library.

### **Mathematical Pre-requisites:**

This course makes extensive use of mathematics. You are expected to have mastered linear algebra and basic calculus, including optimization, at the level taught in Econ 211 (and used in Econ 301 and 302). Good reference textbooks are Mathematics for Economists by Carl Simon and Lawrence Blume (S&B). Some sections of Econ. 211 use the textbook Mathematics for Economics, by Hoy, Livernois, McKenna, Rees, and Stengos (HLMRS).

Make sure you are familiar with the following material:

Linear Algebra (S&B Chp. 6-7, HLMRS Chp. 7)

One-Variable Calculus (S&B Chps. 2-4, HLMRS Chps. 4 & 5)

Calculus of Several Variables (S&B Chp. 14, HLMRS: Chp. 11)

Implicit Functions and their Derivatives (S&B Chp. 15)

Optimization (unconstrained and constrained) (S&B Chps. 16-19, HLMRS: 6 & 12-14)

### **Evaluation:**

There will be three midterm exams, each worth 20% of the final grade. The midterms will take place in class on the following dates:

Midterm 1: Friday September 30<sup>th</sup>,

Midterm 2: Friday October 28<sup>th</sup>, and

Midterm 3: Friday November 11<sup>th</sup>.

There will be a final exam, which will be worth 25% of the final grade. The final exam will take place *in class*, on the following date:

Final exam: Friday December 2<sup>nd</sup>.

There will be several graded homework assignments throughout the semester. These will (collectively) be worth 15% of the final grade.

### **Policy on Missed Exams and Assignments:**

No make-up tests will be provided. A student who does not have a relevant medical certificate will receive a mark of zero on a missed test and her/his final grade will be computed in

accordance with the formula specified above. For students who do have a relevant medical certificate the weight from the missed midterm will be applied to the final exam.

Late assignments will not be accepted. I will drop the lowest assignment, so you can miss one assignment without penalty. If a medical accommodation is warranted, the weight from a missed assignment will be applied to the final exam. Note that being sick on the due date of the assignment is not sufficient to warrant accommodation.

### **Outline of Topics:**

1. Measuring money and its effects (Walsh, Chp. 1)
2. Lucas, Walras, and monetary theory
3. Modeling a Monetary Economy (Walsh Chps. 2 & 3)
4. Money and the Fiscal Authority (Walsh Chp. 4)
5. Nominal Price Rigidities (Walsh Chp. 6)
6. The Time Inconsistency of Monetary Policy (Walsh Chp. 7)
7. New Keynesian Economics (Walsh Chp 8.)
8. New Monetarism (Walsh Chp. 5)
9. Macroeconomic aspects of banking and finance (Walsh Chp. 10)

## **Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009**

### **Academic Integrity**

In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity webpage](#) and the [Arts Academic Integrity webpage](#) for more information.

### **Discipline**

A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties \(https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/guidelines/guidelines-assessment-penalties\)](#).

### **Grievance**

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](#), Section 4 (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70>). When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

### **Appeals**

A decision made or penalty imposed under Policy 70, Student Petitions and Grievances (other than a petition) or Policy 71, Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72, Student Appeals \(https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72\)](#).

### **Note for Students with Disabilities**

The [AccessAbility Services](#) office, located on the first floor of the Needles Hall extension (NH 1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.