University of Waterloo
Department of Economics
Econ 487
Canadian Monetary Policy
Winter 2015
1:00-2:20 MW, EV1 132

Instructor Information

Instructor: Jean-Paul Lam
Office: HH220
Office Phone: 519-888-4567 x33091
Office Hours: Wed 9:30-11:30 pm or by appointment
Email: jplam@uwaterloo.ca

Course Description

Since 1991, the Bank of Canada's objective is to keep the rate of inflation close to the 2 percent midpoint of the 1 to 3 percent target range. In order to achieve its objective, the Governing Council of the Bank of Canada requires the best possible monetary policy advice from economists and the staff working at the Bank. Arriving at a decision is complex and the Bank of Canada relies on (i) models to understand the various linkages between macroeconomic variables and to produce economic forecasts of key macro-economic variables and (ii) on an enormous amount of data from inflation and wage pressures to GDP and employment, from exports and the price of commodities to oil to housing starts and investment in residential structures to government spending and trade policies, from auto sales and hours worked to the profits of enterprises and banks. Once the models are run, the forecasts produced and the data meticulously analyzed, economists at the Bank of Canada present their results and findings to Governing Council. Their presentation culminates with a recommendation about the appropriate level of the overnight rate, the key instrument of the Bank of Canada.

The course will focus on all these aspects. Students will learn about the rich data and information that is collected and interpreted by the staff at the Bank of Canada before each policy decision is made. The course will also teach students how to build a simple macro model for Canada that will be used to forecast key macro variables, in particular the rate of inflation. Each week, students working in small groups will be required to do a presentation. This will help students develop some familiarity with the type of presentation that Governing Council receives from the staff of the Bank of Canada while at the same time improve their presentation skills.

Apart from learning about key aspects of Canadian monetary policy, one of the main goals of the course is to prepare a team that will participate in the Governor's Challenge Competition in November 2016. The competition involves teams competing against each other in the role of advisor to the Bank's Governing Council. Teams will be judged on the substance and quality of their analysis, the quality of their presentation and evidence of strong team work. A team of six people will be selected to represent the University and compete in the first round of the competition in November. Students who will not be officially part of the competing team will still play a very important role as they will provide valuable input by working on the model and forecast, presentation content of the competing team and act of mock judges.

The course will involve a lot of work from students as, other than weekly presentations and processing a

large amount of data and information, they will be required to learn how to build a macro model and use the model to forecast key macro variables. Part of the course will be devoted to learning some time-series that will be used to build an empirical model of the Canadian economy. The software EViews will be used to perform all econometrics work. Moreover, there will be a large amount of readings involved in the course. Students will be required to read reports from the Bank of Canada, other central banks, Statistics Canada and other organizations. Finally, class attendance is mandatory for this course as part of the grade will depend on class participation.

Course Goals and Learning Outcomes

The main goal of the course is to provide students with analytical and theoretical tools to understand how the Bank of Canada conducts monetary policy and how its actions affects the Canadian economy, the exchange rate and financial markets. Students will also learn how to prepare and present an economic report to a relevant audience.

Upon completion of this course, students should be able to:

A. Understand how the Bank of Canada formulates and conducts monetary policy
B. Understand the role and importance of economic analysis and data in the formulation of monetary policy
C. Build a small macro forecasting model for Canada

Required Text
There is no required textbook for this course. I will use various publications from the Bank of Canada, Statistics Canada, the Parliamentary Budget Officer, the International Monetary Fund, Finance Canada and other sources.

Readings Available on LEARN

I will also provide lecture notes and other reading materials. All the lecture notes and reading materials will be accessible from LEARN and will be posted before the relevant lecture. The readings are an integral part of the course and students are expected to cover them. In addition to lecture materials, students will be required to read the business press (Globe and Mail and the Financial Post) to keep up with the daily developments in the macro economy, central banking and financial markets.

Course Requirements and Assessment

Final grade will be based on attendance and participation (20%), weekly presentations (50%) and assignments (30%). There is no final exam.

.

Course Outline

Lecture notes and readings will be posted before each class on UW LEARN (https://learn.uwaterloo.ca). You are required to read ahead all the lecture notes and required materials. It will allow you to make the most of the lectures. I also strongly encourage you to ask questions in class. Below is a list of topics I will cover in class and the approximate time I will devote to each.

Week	Date	Topic	Readings Due
1	-	Introduction to macro data	
2	-	Macro data/ time series/presentation	
3	-	Macro data/ time series/presentation	
4	-	Vector Autoregression/presentation	
5	-	Vector Autoregression/presentation	
6	-	Forecasting models/presentation	
7	-	Forecasting models/presentation	
8	-	Monetary transmission mechanism/presentation	
9	-	Implementation of monetary policy/presentation	
10	-	Implementation of monetary policy/presentation	
11	-	Coming to a decision /presentation	
12	-	Coming to a decision /presentation	

Late Work

Assignments have to be handed on time. If you miss the deadline, you will receive a mark of zero. No exceptions are allowed.

Policy of Remarking Tests

If you want me to remark your midterm or assignment because you suspect a mistake on the part of the TA, all regrade requests must be submitted to me within one week of receiving the grade in question. In your request, you must clearly indicate the reasons why you want your midterm or your assignment to be regraded. Note that if you want your midterm and assignment re-graded, I will remark the entire piece of work. Your grade may go up, down or stay the same as a result of this.

Information on Plagiarism Detection

I do encourage collaborations on assignment. However each student must submit her/his own assignment. No photocopies are allowed. If you are working with other people, you must clearly indicate at the top of your assignment the names of the persons with whom you have collaborated. As there is no paper requirement for this course, I will not use the TurnItIn software.

Electronic Device Policy

Students are allowed to use their laptops during class to take notes, view the lecture notes or online readings. No other use of the laptop is allowed. When entering the classroom, you should turn off your cell phone.

Attendance Policy

Class attendance is strongly encouraged although not compulsory.

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 Integritity Webpage (https://uwaterloo.ca/academic-integrity/) and the Arts Academic Integrity Office Webpage (http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

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/policies-procedures-guidelines/policy-70). When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

Discipline

A student is expected to know what constitutes academic integrity to avoid committing academic offenses and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (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. For information on categories of offenses and types of penalties, students should refer to Policy 71, Student Discipline (http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm). For typical penalties check Guidelines for the Assessment of Penalties (http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm).

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 (http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm).

Note for Students with Disabilities

The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, 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 OPD at the beginning of each academic term.