Monetary Economics II: Theory and Policy
AP/ECON 3440 A – Fall 2022
Location: Ross S137
Time: R 11:30am-2:30pm

Instructor	Professor Henry Tam
Email	thenry@yorku.ca
Office hours	Thursdays 10:15-11:15am (by appointments only) at VH 1042
Course webpage	eclass.yorku.ca
Lecture Hours	Thursday 11:30am-2:30pm (**In-person lectures**).
Organization	Please note that this is an in-person course. All exams will be in-person. There will be NO online alternatives. We will use eClass for posting course materials only (including presentation slides to facilitate lectures, practice problem sets and solutions, case studies with solutions, practice exams and solutions, etc.). You should check posted materials on a regular basis.
Course description	In Monetary Economics II, we will focus on the theory of central banking and its use of monetary policy to control inflation and affect other macroeconomic outcomes such as real GDP, unemployment, and interest rate. We shall study money supply and money demand and how they interact in the macroeconomy. We shall also discuss rule versus discretion in monetary policy making and the issue of central bank independence.
Prerequisites	Prerequisite: AP/ECON 1000 3.00 and AP/ECON 1010 3.00 or equivalent. Course credit exclusions: GL/ECON 3390 3.00.
Textbook	Mishkin and Serletis, “The Economics of Money, Banking, and Financial Markets” 7th Canadian edition
Topics covered	We shall cover the following topics:

- Not in Textbook: Background Materials about the Real Macroeconomy in the LR and very LR (You could consult an Intermediate Macroeconomics textbook such as Mankiw and Scarth “Macroeconomics” (6th Canadian edition) Ch 3, 7, 8 and 9, but I will try to make it self-contained in the lectures.)
- Ch 3: What is Money?
- Ch 15: The Money Supply Process

- Ch 20: Quantity Theory, Inflation, and the Demand for Money; and Part of Ch 17 about Inflation Targeting
- Ch 21: The IS Curve
- Not in Textbook: The LM Curve and the IS-LM AD-AS Model (You could consult an Intermediate Macroeconomics textbook such as Mankiw and Scarth “Macroeconomics” (6th Canadian edition) Ch 11, 12 and 14, but I will try to make it self-contained in the lectures.)
- Related to Textbook (Parts of Ch 14, 17 and Ch 25 relating to the topic) but mainly my own materials: Time inconsistency problem of monetary policy, rule vs discretion, and the issue of Central Bank Independence
- Ch 22-24: AD-AS Model without the LM curve; and Part of Ch 17 about the Taylor’s Rule

You should note that although I use the textbook as the basis for the topics we are discussing for the course, I will also cover some materials that are relevant for the understanding of the various topics but are not covered in the textbook. Roughly about 40% of the course materials will be my own materials (covered in the in-person lectures) that provide you with a fuller understanding of the topics that correspond to the various chapters and topics of the textbook readings. I shall also cover the textbook materials in more details, or lesser details. You should focus on the materials taught in the lectures and treat the textbook chapters as complementary readings.

Presentation slides will be posted to facilitate the lectures. These presentation slides are <u>NOT</u> meant to be self-sufficient but should be considered an aid to facilitate the lectures. During the lectures, I will show you more detailed analyses with additional handwritten slides that are <u>NOT</u> included in the posted presentation slides.

Evaluation

In-class Test 1 (Oct 6, 2022, Thurs, 11:30am-12:45pm)	20%
In-class Test 2 (Nov 3, 2022, Thurs, 11:30am-12:45pm)	20%
In-person Final Exam (TBA, 3-hr exam, cumulative)	60%

Test 1 and Test 2 will take place in-person during class time. We will have a class after each test on the date of the test. There will be NO online alternative. **There will be no make-up exam for both tests.** If you miss any test for any reason, the weight will be transferred to the final. Each exam will consist of both multiple choice (MC) questions and problem-solving questions that require you to show your work.

Final course grades may be adjusted to conform to Program or Faculty grades distribution profiles.

IMPORTANT INFORMATION FOR STUDENTS

All students are expected to familiarize themselves with the following information, available on the Senate Committee on Curriculum & Academic Standards webpage;
https://secretariat-policies.info.yorku.ca/

- York's Academic Honesty Policy and Procedures/Academic Integrity Website
- Ethics Review Process for research involving human participants
- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities
- Student Conduct Standards
- Religious Observance Accommodation

Important Dates: https://registrar.yorku.ca/enrol/dates/fw20

Here are some useful links for student computing information, resources and help:
Student Guide to eClass/Moodle, Computing for Students Website, Student Guide to eLearning at York University
FAQs for eClass can be found here - https://lthelp.yorku.ca/faq

Academic honesty and integrity

In this course, we strive to maintain academic integrity to the highest extent possible. Please familiarize yourself with the meaning of academic integrity by completing SPARK's Academic Integrity module at the beginning of the course. Breaches of academic integrity range from cheating to plagiarism (i.e., the improper crediting of another's work, the representation of another's ideas as your own, etc.). All instances of academic dishonesty in this course will be reported to the appropriate university authorities, and can be punishable according to the Senate Policy on Academic Honesty.