



York University
Department of Economics
AP/ECON 3440M
MONETARY ECONOMICS II: Theory and Policy
Winter 2025.

Course Name and Term

AP/ECON 3440M MONETARY ECONOMICS II - Winter 2024.

Pre-requisites

AP/ECON 1010 or equivalent. Basic algebra will be used.

Course Webpage

Eclass.yorku.ca. Please visit the web site regularly for announcements, problem sets, old exams, and solutions.

Course Instructor

Professor Ahmet Akyol.

Office: Vari Hall 1050.

Email: akyol@yorku.ca.

Lecture Hours: M 2:30pm-5:30pm, at the ACW-005.

Office Hours: M 11:00am-1:00pm.

Course Description

The purpose of this course is to introduce students to a set of topics in contemporary monetary economics. The primary approach of the course is to stress the theoretical micro-foundations behind money, by modeling the behavior of rational agents in a market setting. In the context of this theoretical framework, the course will examine topics such as why agents hold money, the quantity theory of money, the inefficiency of inflation, the effect of surprise inflation and the Lucas Critique, the effect of monetary policy on national debt,



and commitment issues in the conduct of monetary policy, among others. There will be a lot of emphasis on the tools to analyze topics, and not so much on the institutional details. This approach will allow you to adjust the models you learn as institutions are not constant over time or across different countries. Furthermore, you can also use these tools in other economics courses (e.g. public finance or labour economics.)

Required Textbook:

Champ, B. Freeman, S., and Haslag J. *Modeling Monetary Economies*, Cambridge University Press, 5th Edition 2022. The cost of the paperback edition is \$68.95 at the Indigo Book Store.

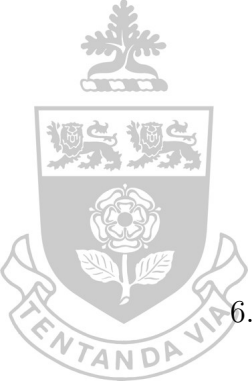
Evaluation:

There will be a midterm and a final exam. The midterm will be held on **February 24th** (during class time). The final exam will cover **all** material discussed in class. The date of the final exam will be determined by the Registrar's Office. Let your scores on the midterm and final exam be m and f respectively. Your grade will be based on the following formula:

$$\max \{ 0.3m + 0.7f, f \}.$$

Rules:

1. **There will be no make-up exam for the midterm test.** If you miss the midterm test for any reason, your final exam will have a weight of 100% of your grade.
2. The grades may be scaled to conform with the regulations of the Faculty of LA&PS. (For example, 79% is a **B+**, not an **A**.)
3. A student that misses the final exam and requests deferred standing, must consult the Economics Department's Policies for Deferred Standing, available at [this link here](#).
4. Please do **NOT** email me any deferred standing request form or doctor's note.
5. Students who may require further extensions or accommodation will have to submit a formal petition to the Faculty.



6. You are required to pay attention to the Important Dates for the Fall/Winter 2023-2024 academic year, available at [this link here](#).

Topics:

1. The Overlapping Generations Model and the Planner's Solution: Chapter 1.
2. Equilibrium Trade in the Economy without Money: Chapter 2.
3. A Simple Model of Money: Chapter 3.
4. Inflation: Financing Government Transfers and Spending: Chapter 5.
5. Phillips Curve and Lucas Critique: Chapter 7.
6. Deficits and National Debt: Chapter 16.
7. Savings, National Debt, and Social Security: Chapters 17 and 18.
8. Time Inconsistency of Monetary Policy: Temptation of Inflation: Chapter 19.
9. Bank Risk and Diamond-Dybvig Model: Chapter 14 (if time permits).

Senate Rules on Academic Honesty and Religious Observance Accomodation:

All students are expected to familiarize themselves with the following information, available on the Senate Committee on Curriculum & Academic Standards webpage.