

ECON 3K03: Monetary Economics

Fall 2019

Instructor: Bettina Brüggemann

Office: KTH 432

Lecture: Mondays & Thursdays 12:30-1:20pm, Tuesday 1:30-2:20pm in BSB 119

Email: brueggeb@mcmaster.ca

Office Hours: Mon 2-3pm, Tue 9-10am

TA: Oliver Loertscher

Office: TBD

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Office Hours: TBD

COURSE DESCRIPTION

This course presents an exposition about lessons of monetary economics learned from overlapping generation models. Throughout the course we will emphasize the microeconomic foundations behind money, that is, analyze the role of money in macroeconomics by modeling the choices of rational agents in a market setting. These models improve our understanding of the most basic questions in monetary economics: How does money promote exchange? What should serve as money? What causes inflation? What is the (social) cost of inflation? What's the effect of money on savings, investment and output?

PREREQUISITES

ECON 2G03 or ECON 2X03; and ECON 2H03

CLASS FORMAT

Lecture

COURSE MATERIALS AND TEXTS

- Modeling Monetary Economies (4th Edition), by Bruce Champ, Scott Freeman, and Joseph Haslag, Cambridge University Press 2016. Available in the Campus Store.

COURSE CONTENTS

The course will closely follow the required textbook (see above). From time to time, I will assign additional readings. The tentative outline is as follows:

1. Introduction: The Canadian Monetary and Financial System
2. Money
 - a. A Simple Model of Money (ch. 1 and ch. 2)
 - b. Inflation (ch. 4)
 - c. Price Surprises and the "Lucas Critique" (ch. 6)
3. Banking
 - a. A Model with Capital (ch. 7)
 - b. Liquidity and Financial Intermediation (ch. 8)
 - c. Central Banking and the Money Supply (ch. 9)
 - d. Money Stock Fluctuations (ch. 10)

- e. Fully Backed Central Bank Money (ch. 11)
- f. Bank Risk, Liquidity Risk and Bank Panics (ch. 13 and 14)
- 4. Government Debt
 - a. Deficits and the National Debt (ch. 15)

AVENUE TO LEARN

In this course we will be using Avenue to Learn. On the course's webpage, students will find information on office hours and contact details for the instructor and TA, selected readings, slides, sample exercises, grades, and much more.

Students should be aware that, when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

COURSE EVALUATION – OVERVIEW

1. 2 midterm exams (ME1 and ME2)
2. 2 written homework assignments (AS1 and AS2)
3. Final Exam (FE)
4. Final grade (FG) determined as follows:

$$FG=0.05*AS1 + 0.05*AS2 + 0.25 * \max \{ME1, FE\} + 0.25 * \max \{ME2, FE\} + 0.40 * FE$$

COURSE EVALUATION – DETAILS

Midterm Exam 1: Thursday, October 3, 2019

Time: 12:30pm-1:20pm, Room: UH 213

Assignment 1: Due on Monday, October 28, 2019, 12:30pm

The assignment will be published on October 21, 2019, through the Assignment tool on Avenue to Learn and has to be submitted on Avenue to Learn.

Midterm Exam 2: Monday, November 11, 2019

Time: 12:30pm-1:20pm, Room: HSC 1A6

Assignment 2: Due on Monday, November 25, 2019, 12:30pm

The assignment will be published on November 18, 2019, through the Assignment tool on Avenue to Learn and has to be submitted on Avenue to Learn.

Final Exam

The date for the final exam is still to be determined by the University and will be announced to you as soon as it becomes public.

COURSE POLICIES

General Guidelines and Expectations

Students are expected to come to the lectures and to participate in various way, either by asking questions, by pointing out errors on the slides or by answering the questions I will ask during the lectures. While I will try my best to post on Avenue to Learn announcements made in class, there might be a lag in posting the information or I may inadvertently forget to post something. The instructor takes no responsibility for any adverse effects students may experience as a result of her omission to post on Avenue to Learn an announcement made in class.

Most of the time I will deliver my lectures using slides. The slides will be distributed through Avenue to Learn and will be posted chapter by chapter as the course goes along. I will also use the blackboard/whiteboard to cover additional material and go through examples. The slides are not lecture notes. They are mainly providing outlines of what will be discussed in class. I will set the lecturing pace based on the assumption that you have copies of the slides with you in class.

A reading schedule is posted on Avenue to Learn. Students are assumed to have read the material ahead of the lectures. Students should NOT expect me to talk about every single textbook page. The lectures will focus on the most important and challenging parts of the material. More basic material will be left for the students to study on their own. I might refer to this more basic material in the lectures, hence the need to read ahead to understand the lectures.

Grades

Your grades in the exams and assignments will be posted on Avenue to Learn. Please immediately report to the instructor any discrepancy between the posted and actual grades. Grades will be based on the McMaster University grading scale:

MARK	GRADE
90-100	A+
85-90	A
80-84	A-
77-79	B+
73-76	B
70-72	B-
67-69	C+
63-66	C
60-62	C-
57-59	D+
53-56	D
50-52	D-
0-49	F

Assignments

Students have to use the Assignment tool on Avenue to Learn to submit their homework assignments (AS1 and AS2). There will be no extension of deadlines and no makeup assignments. Late submissions of assignments will receive zero points.

Exams

All midterms and final exams are individual and closed-book. It is mandatory that students bring their McMaster student ID card to the midterm and the final exams. There will be no makeup exams. Evaluation methods consist of one or several of the following: short-answer questions, numerical calculations, mathematical derivations, true-false, multiple choice, and fill-in-the-blank questions. Tests and assignments will be marked by the TA according to my instructions. If you want clarifications about the marking of a test or assignment, please contact the TA first and then contact me if you were unable to resolve your problem with him/her.

Absences, Missed Work, Illness (MSAF)

Students that miss an assessment (and can provide the appropriate documentation) will have the weight transferred to the final exam (FE).

Where to Get Help

My office hours and the TA's office hours are listed on page 1. Please feel free to come to our offices at those times to seek help or to discuss matters related to the course. Please note that there is no guarantee we will be available to assist you (even if we are in the office) if you drop by at random times outside of designated office hours.

If my scheduled office hours and those of the TA conflict with your schedule, you can request an appointment with me via e-mail at bruegge@mcmaster.ca. Please insure that your e-mail has subject line starting with "ECON 3K03," this will minimize the risk of your e-mail being overlooked or perceived as spam. I do not use the e-mail tool in Avenue to Learn.

Calculators

In the exams, only the use of the McMaster Standard Calculator (Casio fx-991 MS or Casio fx-991 MS Plus) is allowed.

UNIVERSITY POLICIES

Academic Integrity Statement

You are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which credit has been obtained.
2. Improper collaboration in group work.

3. Copying or using unauthorized aids in tests and examinations.

Academic Accommodation of Students with Disabilities

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements. Academic accommodations must be arranged before classes or academic work begins, and for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University's Policy for [Academic Accommodation of Students with Disabilities](#).

Academic Accommodation for Religious, Indigenous and Spiritual Observances

Students who require academic accommodation due to an Observance must submit a RISO form to their Faculty office, electronically or in person, normally within ten working days from the beginning of each term in which they are anticipating a need for Accommodation. For further information, consult McMaster University's [Policy on Academic Accommodation for Religious, Indigenous and Spiritual Observances](#).

Faculty of Social Sciences E-mail Communication Policy

Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student's own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student's responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.

Requests for Relief for Missed Academic Term Work McMaster Student Absence Form (MSAF)

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar "Requests for Relief for Missed Academic Term Work".

Extreme Circumstances

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

Course Modification

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check his/her McMaster email and course websites weekly during the term and to note any changes.