

**ECONOMICS 422**  
**Monetary Economics**  
Fall 2017

**Course web-site:**

The Econ 422 web-site is accessible to students registered in the course through onQ:

<https://onq.queensu.ca/d2l/home>

Please note that the material on the Econ 422 web-site is copyrighted and is for the sole use of students registered in Economics 422. The material on this web-site may be downloaded for a registered students personal use, but shall not be distributed or disseminated to anyone other than students registered in Economics 422. Failure to abide by these conditions is a breach of copyright, and may also constitute a breach of academic integrity under the University Senates Academic Integrity Policy Statement.

Please note also that, other than this syllabus and the exams (see below), all materials for distribution which pertain to the course will be distributed through the course web-site.

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**Office Hours:**

Tuesday 10:30am–noon  
and by appointment

TBA

**Class Meetings:**

Mondays from 10:00–11:20am; and Wednesdays from 8:30–9:50am in 327 Ellis Hall.

**Text:**

There is no text to purchase for the course. Lecture notes have been prepared and will be made available through the course web-site. For interested students, it may be useful to know that these lecture notes are to a significant extent based on the book:

*Money, Liquidity, and Payments*  
Ed Nosal and Guillaume Rocheteau  
MIT Press, Cambridge, MA 2011

I have not made this book available for purchase, however, because it is written at a technical level which most students in the course will not find useful. If you would like more information on this book, please let me know.

**Course Description:**

This course will consider the closely related institutions of credit and money in market economies. The “New Monetarist” framework, based on the “unified framework for monetary theory and policy analysis” of Lagos and Wright (2005) will be used to study the role of money and credit in facilitating trade, inflation, aspects of monetary policy, and if time permits, exchange rates.

### Course Requirements:

The final grade will be a weighted average of marks on homework assignments and two exams: A midterm and a final. The weights used in marking will be:

Assignments	15%		
Midterm Exam	25%	or	60%
Final Exam	60%	or	25%

The weighting of the two exams will be chosen automatically to maximize your average. The two exams will be of roughly equal length and the final will be “comprehensive” only in the sense that material in the second half of the course will build on that from the first. Marking will conform to Faculty of Arts and Sciences “numbers in, letters out” policy. For more information see:

[http://www.queensu.ca/artsci/sites/default/files/Policy\\_on\\_Grading.pdf](http://www.queensu.ca/artsci/sites/default/files/Policy_on_Grading.pdf)

This course will be heavily oriented toward setting up and solving explicit problems. The homework assignments will provide practice on problems similar to those that will be on the exams. Late homework assignments will not be accepted. Assignments will be posted as pdf files on the course web-site as they are assigned. Answers will be posted as well, after the assignment due date. Assignments should be handed in using the collection box located on the second floor of Dunning Hall. Note that all assignments should have the economics cover-sheet to facilitate their return by the Distribution Centre, located in 311 Dunning Hall.

The midterm exam is tentatively scheduled for 7:00-9:00pm on **Thursday, October 26th**, in a location to be announced. The date, time and place of the final exam will be determined by the university-wide final exam schedule. Note that the final exam can take place *at any time* during the exam period. Conflicting travel plans, regardless of when they are made will not constitute valid grounds for re-scheduling the exam.

## **Academic Integrity**

Please read the following statements by the University regarding Queen's policies on academic integrity.

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see [www.academicintegrity.org](http://www.academicintegrity.org)). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the "freedom of inquiry and exchange of ideas" essential to the intellectual life of the University. See the Senate Report on Principles and Priorities:

<http://www.queensu.ca/secretariat/policies/senate/report-principles-and-priorities>

Students are responsible for familiarizing themselves with the regulations concerning academic integrity and for ensuring that their assignments conform to the principles of academic integrity. Information on academic integrity is available in the Arts and Sciences Calendar (see Academic Regulation 1 and on the Arts and Sciences website:

<http://www.queensu.ca/artsci/academic-calendars/regulations/academic-regulations/regulation-1>

<http://www.queensu.ca/artsci/academics/undergraduate/academic-integrity>

Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen's. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.

## **Accommodations Statement**

Please read the following statements by the University regarding Queen's policies concerning accommodations for persons with disabilities.

Queen's University is committed to achieving full accessibility for people with disabilities. Part of this commitment includes arranging academic accommodations for students with disabilities to ensure they have an equitable opportunity to participate in all of their academic activities. If you are a student with a disability and think you may need accommodations, you are strongly encouraged to contact the Student Wellness Service (SWS) and register as early as possible. For more information, including important deadlines, please visit the SWS website:

<http://www.queensu.ca/studentwellness/accessibility-services/>

## **Academic Consideration for Students in Extenuating Circumstances**

Please read the following statements by the University regarding Queen's policies concerning students in extenuating circumstances.

The Senate Policy on Academic Consideration for Students in Extenuating Circumstances was approved in April 2017. Queen's University is committed to providing academic consideration to students experiencing extenuating circumstances that are beyond their control and which have a direct and substantial impact on their ability to meet essential academic requirements. The Faculty of Arts and Science is developing a protocol to provide a consistent and equitable approach in dealing with requests for academic consideration for students facing extenuating circumstances, which will be posted on the Faculty of Arts and Science website in Fall, 2017. Please see the following link

<http://www.queensu.ca/secretariat/sites/webpublish.queensu.ca.uslctwww/files/files/policies/ExtenuatingCircumstancesPolicyFinal.pdf>

## Brief Course Outline

The following is a list of topics that will be covered in the course, roughly in the order that they will be considered. Details will be provided and updated regularly on the course web-site.

1. Introduction: An Approach to Studying the Role of Money in a Market Economy
2. A Basic Theoretical Framework
3. Pure Credit Economies
  - A. Competitive (Walrasian) Equilibrium
  - B. Bi-lateral Matching
  - C. Full vs. Limited Commitment
4. Money in Equilibrium
  - A. A Constant Stock of Money
  - B. Inflation
    - i. Stationary vs. Non-stationary equilibria
    - ii. Welfare Implications
6. Money, Credit, and Banking
  - A. Full Commitment
  - B. Limited Commitment
  - C. On the Optimality of Inflation with Limited Commitment
6. Monetary Stabilization Policy
7. Multiple Media of Exchange
  - A. Exchange Rates Among Different Currencies, “Real” and “Virtual” (*e.g.* Bitcoin)
  - B. Negative Nominal Interest Rates