

ECONOMICS 820
Money in the Macroeconomy
Fall 2016

Instructor:

Allen Head
234 Dunning Hall
533-6308
heada@econ.queensu.ca

Office Hours:

Tuesdays, 10:30am-noon

Readings:

There is no required text for the course. For various sections of the course, however, the following books will be useful for reference:

- *Money, Payments and Liquidity*; Ed Nosal and Guillaume Rocheteau; MIT Press; Cambridge, MA; 2011.
- *Recursive Macroeconomic Theory*, 3rd edition; Lars Ljungqvist and Thomas J. Sargent; MIT Press; Cambridge, MA; 2012.
- *Handbook of Monetary Economics, Vol. 3*; Benjamin Friedman and Michael Woodford, eds.; Elsevier 2010. This is available online through QCAT.

For various parts of the course, there will also be some distributed lecture notes and relevant journal articles. The course web-page (located on the onQ system; go to <https://onq.queensu.ca/d21/home>) will provide information regarding and links to these readings. If you have trouble accessing any of the papers, books, or notes listed, please contact the instructor. Also, on the onQ web-site are some lecture notes for my undergraduate course, Econ 422: Monetary Economics. These give a fairly detailed description of the New Monetarist model at a basic level. While in this course we will go beyond them, you may find them useful, in particular for the first 2/3 of the course.

Course Overview:

The course will focus on developing a theory of *liquidity*, and using it to understand the relationships among money, other assets, and credit in the modern economy. This framework will be used also to understand the rationales for and basic implications of *monetary policies* in both the short and long-run.

Course Requirements:

The final mark will be a determined by a weighted average of scores on assignments and two exams, a midterm and a final. The weights will be:

Assignments	25%
Midterm Exam	30%
Final Exam	45%

The assignments will include problem sets which will be posted on the course web-page as they are assigned. After their due dates, answers will also be posted there. These problem sets will account for 15% of the mark. The remaining 10% will be accounted for by a project which will the researching and presentation of results to the class. More information on the project will be made available after the first few weeks of class.

Brief Course Outline

1. Introduction: Money and Liquidity

- Nosal and Rocheteau, pp. 1-12, Chap. 3
- Williamson and Wright (*Handbook of Monetary Economics*, 2010)
- Kocherlakota (*Journal of Economic Theory*, 1998)
- Wallace (*International Economic Review*, 2001)

2. A Basic Model of Liquidity: Assets, Money and Credit

- Nosal and Rocheteau, Chap. 1
- Williamson and Wright (2010)
- Lagos and Wright (2005)

3. Credit and Money with Limited Commitment

- Nosal and Rocheteau Chap 2
- Berentsen, Camera, and Waller (*Journal of Economic Theory*, 2007)

4. A Simple Monetary Policy: Price-Level Targeting

- Nosal and Rocheteau, Chaps. 4,6
- Berentsen and Waller (*Journal of Money, Credit and Banking*, 2011)
- Berentsen and Monnet (*Journal of Monetary Economics*, 2008)

5. Money and Other Assets

A. Multiple Currencies

- Kareken and Wallace (*Quarterly Journal of Economics* 1981)
- Waller *et al.* (*manuscript*, 2016)

B. Money and Capital

- Nosal and Rocheteau, Chap 10
- Lagos and Rocheteau (*Journal of Economic Theory*, 2008)
- Shi (*Journal of Monetary Economics*, 2008)

6. Short-run Non-neutrality

- Nosal and Rocheteau Chap 7
- Ljungqvist and Sargent, Chaps 27
- Svensson (*Handbook of Monetary Economics*, Chap 22. 2010)