

ADVANCED MONETARY THEORY ECONOMICS EC 3330B-001

Department of Economics
Western University

Instructor: Steve Williamson **January 2022**
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Office Hours: Zoom hours: Tuesday 11:00-12:00 pm, Thursday 3:00-4:00 pm, or by appointment.
Teaching Assistant: Juan Holguin
Classroom Meeting Times and Locations:
Tuesday, 9:30-10:30, AHB 1B08
Thursday, 9:30-11:30, AHB 1B08
Course Website: <https://owl.uwo.ca/portal>
Undergraduate Inquiries: 519-661-3507 SSC Room 4075 or econugrd@uwo.ca

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note

The prerequisites for this course are **Economics 2221A/B** and **Economics 2261A/B**.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an anti-requisite course. Lack of pre-requisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Description

This is an advanced undergraduate course in monetary economics, monetary policy, banking, and financial markets. These are some of the questions we will address: What is money and why is it useful? What are the goals of monetary policy and how are they achieved? What causes instability in the banking system? How do financial markets work?

Course Learning Outcomes

- Construct the basic search model, and show how money solves the double coincidence problem.
- Show how the search model can explain over-the-counter trade in assets, bid-ask spreads, and trade volume.
- Use the cash-in-advance model to illustrate the determinants of real and nominal interest rates and inflation.
- Show how the Friedman rule minimizes the costs of inflation in the cash-in-advance model..
- Show how monetary policy affects stock prices, using the cash-in-advance model.
- Construct the cash-in-advance model with cash and credit as means of payment.
- Construct the simple New Keynesian Model.
- Explain the role of monetary policy in the New Keynesian model.
- Show what the Taylor rule implies for macroeconomic performance.
- Construct the Diamond-Dybvig model.
- Explain the role for banking in the Diamond-Dybvig model.
- Show how banking panics can arise in the Diamond-Dybvig model.

Grading

Midterm 1:	20%
Midterm 2:	20%
Assignments:	20%
Final Exam:	40%

Exams

There will be two midterm exams, and a final exam. These will be closed-book and closed-note exams, and electronics-free. Collaboration between students during the writing of exams is strictly prohibited. All exams are cumulative, with emphasis on the more recent material. There will be no makeup mid-term exams. Students who miss a midterm exam due to illness or other extenuating circumstances must submit official documentation to academic counselling or submit a Self-Reported Absence through the portal. Students who follow through the appropriate processes and are officially excused from a midterm exam will have the weight of the exam transferred to the final exam.

Assignments

Assignments are to be submitted to me on the due date. Either give your completed assignment to me in class, or drop it off at my office. There will be six assignments. You are encouraged to cooperate on assignments, but each student must hand in their own assignment.

Scholastic Offenses

Scholastic offenses are taken seriously, and students are directed to read the appropriate policy, specifically the definition of what constitutes a scholastic offense, at:
https://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_undergrad.pdf

Timetable

January 27:	Assignment 1 due.
February 3:	Assignment 2 due.
February 10:	Midterm 1.
March 3:	Assignment 3 due.
March 10:	Assignment 4 due.
March 17:	Midterm 2.
March 24:	Assignment 5 due.
March 31:	Assignment 6 due.

Preliminary Outline

1. Search, Money, and Over-the-Counter Markets
 - a. A basic model of the double coincidence problem: monetary exchange.
 - b. The model adapted to over-the-counter asset trading.
2. Cash-In-Advance Models
 - a. Real and nominal interest rates, and inflation.
 - b. The welfare cost of inflation.
 - c. Optimal monetary policy and the Friedman rule.
 - d. Stock prices and inflation.
 - e. Cash and credit.
3. New Keynesian Economics
 - a. How monetary policy works in New Keynesian models – the “cashless model.”
 - b. The Taylor rule.
 - c. Perils of the Taylor rule.
 - d. Neo-Fisherism.
4. Banking
 - a. The Diamond-Dybvig model.
 - b. Banking panics.

Readings

Readings will be posted on the Owl site, under “Resources” and Readings.”

1. Williamson, S. “Notes on Search, Money, and Over-the-Counter Markets”
2. Williamson, S. “Notes on Cash-in-Advance”
3. Williamson, S. “Two Applications of Cash in Advance: Stock Prices and Inflation and Cash/Credit”
4. Williamson, S. “Notes on Monetary Policy in New Keynesian Models”
5. Williamson, S. “Inflation Control in New Keynesian Models”
6. Williamson, S. “Notes on the Diamond-Dybvig Model”

Please Note
Department & University Policies for Winter 2022

The University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. **Guidelines, policies, and your academic rights and responsibilities** are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated policies and procedures.
2. Students must familiarize themselves with the “**Rules of Conduct for Examinations**” http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat.” The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments to the instructor.
6. **Appeals:** University policies and procedures for appealing a mark can be found in the Student Academic Appeals section in the current Western Academic Calendar at: http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14. **Please note the relevant deadlines.**

Department of Economics procedures for appealing a mark can be found here: https://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals. The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed to submit an appeal to econugrd@uwo.ca. Please follow the instructions and use the appeal form shown in the above link.

7. **Systematic adjustments of a class grade distribution** (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.
8. Note the following **add and drop deadlines**:

Deadline to add a second term half course:

Tuesday January 18, 2022

Deadline to drop a second term half course:

Monday March 14, 2022

Policy Regarding Makeup Tests and Final Examinations

Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policies Regarding Academic Accommodation

- The Faculty of Social Science's policies on academic accommodation are found at https://counselling.ssc.uwo.ca/procedures/academic_consideration.html
- **Accommodation for Students with Disabilities:** Students with disabilities or accessibility challenges should work with Accessible Education (formerly SSD, see http://academicsupport.uwo.ca/accessible_education/index.html), which provides recommendations for accommodation based on medical documentation or psychological and cognitive testing. The accommodation policy can be found here: [Academic Accommodation for Students with Disabilities](#).
- **Rewriting Exams and Retroactive Reweighting are NOT Permitted:** Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Self-Reported Absences cannot be used once a student has proceeded to start to write a test or exam.
- **Self-Reported Absences:** Students will have two opportunities during the fall and winter terms to receive academic consideration if they self-report a missed assessment using the online self-reported absence portal, provided the following conditions are met: the assessment is missed due to an absence of no more than 48 hours in duration, and the assessment for which consideration is being sought is worth 30% or less of the student's final grade. Students are expected to contact their instructors within 24 hours of the end of the period of the self-reported absence, unless noted otherwise on the syllabus. Students are not able to use the self-reporting option in the following circumstances:
 - for exams scheduled by the Office of the Registrar (e.g., final exams)
 - absence of a duration greater than 48 hours
 - assessments worth more than 30% of the student's final grade
 - if the student has opened or started the test or exam
 - if a student has already used the self-reporting portal twice during the fall/winter terms

If the conditions for a Self-Reported Absence are *not* met, students will need to provide a Student Medical Certificate (SMC) if the absence is medical or provide appropriate documentation if there are compassionate grounds for the absence in question. Students are encouraged to contact their Faculty academic counselling office for more information about the relevant documentation. It is strongly recommended that students notify the instructor as soon as possible, ideally before the assessment, when they become aware of an absence. University policy is that students must communicate with their instructors no later than 24 hours after the end of the period covered by the SMC or immediately upon their return from their documented absence. Failure to follow University policy and procedures may result in denial of academic accommodation and a grade of zero.

- **Documentation for Accommodation:** Individual instructors are not permitted to receive documentation directly from a student, whether in support of an application for consideration on medical grounds or for other reasons. **All required documentation for absences that are not covered by the Self-Reported Absence Policy must be submitted to the Academic Counselling office of a student's Home Faculty.**
- **Western University policy on Consideration for Student Absence** is available here: [Policy on Academic Consideration for Student Absences - Undergraduate Students in First Entry Programs.](#)
- **Student Medical Certificate (SMC):** This form is available here: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf
- **Religious Accommodation:** Students should consult the University's list of recognized religious holidays and should give reasonable notice in writing, prior to the holiday, to the Instructor and an Academic Counsellor if their course requirements will be affected by a religious observance. Additional information is given in the [Western Multicultural Calendar.](#)

Policy Regarding Class Attendance and Engagement: If the instructor deems a student's attendance or engagement in the class to be unsatisfactory, that student may be prohibited from writing the final examination. Examples of unsatisfactory class engagement include frequent absences from an in-person or synchronous online class, lack of assignment submissions, and inadequate use of online course materials. Instructors who intend to make use of this policy will notify the student in advance.

Statement on Mental Health and Support Services: Students under emotional/mental distress should visit https://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.

Statement on Remote Proctoring: While Western intends to hold most classes, mid-terms and finals in-person, the London-Middlesex Health unity may require western to teach in a remote format. If this occurs, all assessments will be done remotely and may involve the use of remote proctoring software (i.e., Proctorio, ProctorTrack). Instructors will provide information on the details should the need arise.