

*We recognize with respect the WSANEC (Saanich), Wyomilth (Esquimalt), and Lkwungen (Songhees) peoples on whose territories the University of Victoria stands and whose relationships with this land remain profound today.*

Course Outline  
Econ 406-A01  
Monetary Economics (CRN:31305)  
Summer 2024

**Instructor:** Alok Kumar

**Office:** BEC 334

**Class:** Tuesday, Wednesday and Friday, 14:30 -16:20, Room MacLaurin D115

**Office Hours:** Monday, 11:00-13:00, BEC 334

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**T.A. Office Hours:** TBA

This course will cover several topics in monetary theory and policy such as money and business cycle, inflation, role of central bank and conduct of monetary policy, conventional and unconventional monetary policies, asset pricing, effects of imperfections in credit market, bank runs and determination of exchange rate. These issues will be analyzed using macroeconomic models with flexible and fixed prices (New-Keynesian monetary models). These models are widely used by economists and policy makers to study monetary issues. Students will learn to analyze monetary issues in a general equilibrium framework using formal economic models. They are expected to be comfortable with unconstrained and constrained optimization tools and methods.

### Learning Outcomes

- Characterize business cycles.
- Use general equilibrium models to analyze monetary issues.
- Understand the role of central bank in stabilizing economy.

- Learn the conduct and implementation of monetary policies.
- Learn the causes and consequences of imperfections in financial markets and bank-runs.

### Required Reading Material

Text-Book { Macroeconomics, 6th Canadian Edition by Stephen D. Williamson, Pearson Canada, 2021, along with its **mathematical appendices**.

Lecture notes and slides.

### Important Remark:

1. It is an advanced undergraduate course. One of the goals of this course is to learn to develop formal economic models and to use them for the analysis of monetary issues. The mathematical appendices of the text-book and lecture notes and slides develop and provide required mathematical and econometric methods and models. Students are expected to carefully go through these material and learn them.
2. The text-book comes with online **MyLab Economics** resource (<https://mlm.pearson.com/northamerica>). Students can complete the end-of-chapter problems and receive feedback and tutorial help using this resource.

### Grading :

Grading will be based on a take-home assignment, three in-class exercises, a mid-term examination and a final examination. Weights: Take-Home Assignment { 15%, In-Class-Exercises { 25% (8.33% each), Mid-Term Examination { 20%, Final Examination { 40%.

In order to pass this course students must attempt the final examination and mid-term examination. All examinations will be **closed-book** examinations.

**Mid-Term Examination** : Duration: 50 Minutes, 14:30-15:20, Wednesday, July 31st, in class. Regular class will take place following 10 minute break after the examination.



I will cover following chapters from the text-book. I will post lecture notes and slides on **BRIGHTSPACE**.

### Topics/Chapters:

1. Math Preliminaries: Lecture Note/Slides
2. Business Cycle Measurement  
Chapter 3 and Lecture Note: Decomposing a time-series in long term and cyclical trends and characterizing business cycle.
3. A Real Inter-Temporal Model With Investment  
Chapter 11: Pages 289-314, Mathematical Appendix, Pages 529-533 and Lecture Note/Slides.
4. A Monetary Inter-Temporal Model: Flexible Price Model  
Chapter 12: Pages 332-349, Mathematical Appendix: Pages 534-537 and Lecture Note/Slides.
5. Business Cycle: The New-Keynesian Model  
Chapter 13: Pages 363-385 and Lecture Note/Slides.
6. Inflation: Phillips Curves  
Chapter 14: Pages 390-395 and Lecture Note/Slides.
7. Money in the Open Economy: Flexible Exchange Rate  
Chapter 16: Pages 439-450 and Pages 464-466 and Lecture Note/Slides.
8. Asset Pricing and Implementation and Conduct of Monetary Policy: Lecture Note/Slides
9. Credit Market Imperfections: Credit Frictions and Financial Crisis  
Chapter 10 and Lecture Note/Slides.
10. Bank Runs, Instability of Financial System and Unconventional Monetary Policies  
Lecture Note/Slides.

### *Other Readings:*

Williamson, S. D. (2020), "The Role of Central Banks", *Canadian Public Policy*, June 2020, 198-213.

Bernanke, Ben (2020), "The New Tools of Monetary Policy", *American Economic Review*, 110, 943-983.

## Some Important Comments

1. **Grade Concerns:** Students who have questions or concerns regarding their grade should discuss with me during office hours. **All concerns must be brought to my attention no later than one week after the graded material was returned.** After one week, any assigned grade is final.
2. **Failed Exams:** Failed exams cannot be retaken and no extra work can be done to improve your grade.
3. **Make-Up Mid-Term Exam:** If a student misses the midterm examination due to health reasons, family afflictions or other unforeseen circumstances, it must write the make-up mid-term examination. The make-up examination will be conducted on **Monday, 12th August** between 11:00-11:50. A student wishing to write the make-up mid-term examination must fill and submit the **in-course concession form** and email it to me at *kumara@uvic.ca*. The in-course concession form is available at *https://www.uvic.ca/students/academics/academic\_concessions\_accommodations/request\_for\_academic\_concession/forms/uvic\_*

their travel plans at an earlier date should book flights that depart after the end of the examination period (see the University Calendar). There will be no special accommodation if travel plans conflict with the examination.

8. **Letter Grading:** Numerical score (%) equivalencies used in the Department are as follows:

A+ 90%	B+ 77-79%	C+ 65-69%	F < 50%
A 85-89%	B 73-76%	C 60-64%	
A- 80-84%	B- 70-72%	D 50-59%	

For the grading scale and expectations, please see <http://web.uvic.ca/calendar201705/undergrad/info/regulations/evaluation.html#>.

9. **DEF Grade:** Students who have not completed all course requirements

13. **Sexualized Violence Prevention and Response:** UVIC takes sexualized violence seriously, and has raised the bar for what is considered acceptable behaviour. Students are encouraged to learn more about how the university defines sexualized violence and its overall approach by visiting [www.uvic.ca/svp](http://www.uvic.ca/svp). If you or someone you know has been impacted by sexualized violence and needs information, advice, and/or support please contact the sexualized violence resource office in Equity and Human Rights (EQHR). Contact [svpcoordinator@uvic.ca](mailto:svpcoordinator@uvic.ca).

14. From time to time there will be other announcements and they will be posted on BRIGHTSPACE. It is the responsibility of students to visit BRIGHTSPACE regularly.

**Important Note:** I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future. When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to <http://ces.uvic.ca>. You will need to use your UVic NetLink ID to access the survey, which can be done on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

1. What strengths did your instructor demonstrate that helped you learn in this course?
2. Please provide specific suggestions as to how the instructor could have