

**Department of Economics
University of Toronto**

**ECO2500HF – Monetary Theory
Fall 2011**

Instructor:

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Office Hours: **Thursday 3:00PM – 4:00PM or by appointment**

Course objectives:

This course explores a wide range of topics on monetary theory. The strategy of the course is to examine simple models to examine the importance of money, banks, and other financial institutions in the way economies work. The topics examined in this framework include: role of money, determination of the medium of exchange, effects of inflation, role of banks, control of the money supply, and effect of the National Debt on saving and investment.

Course materials:

The topics of the course do not follow a textbook. However, the following book covers the first part of the course:

Bruce Champ and Scott Freeman, "Modeling Monetary Economies,"
Cambridge University Press. Second edition. ISBN: 0521789745.

The second part of the course will be based on original articles. Sets of slides, posted in the course web pages, will summarize the main ideas from these articles.

Grade allocation:

Mid-term test (Oct 25, 4-6PM)	35 %
Problem sets	15 %
Final exam	50 %

There will be around 7 problem sets. Answering these problem sets is an integral part of the learning experience of this course. The due date of the problem sets will be posted in the course web site. There will not be a make-up test. If students miss a test, they should provide me with proper justification during the week following the test. If this justification is well documented and compelling, the weight of the missed test will be transferred to the final exam.

Announcements:

Please, make it a habit of checking the course web page for announcements.

Academic misconduct:

Students should note that copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

Course Outline:

- 1. The Overlapping Generations model**
- 2. Inflation in the Overlapping Generations model**
- 3. The New Monetarist model**
- 4. The Coexistence of Money and Capital**
- 5. Liquidity role of banks**
- 6. Monitoring role of banks**
- 7. Financial Intermediaries in the New Monetarist model**

The readings and the pages in the book covered for each topic will be posted in the course web page.