



## Department of Economics Course Outline

<b>Course:</b>	Economics 711.01 [Monetary Theory and Policy]	<b>Term:</b>	Fall 2009
<b>Time:</b>	TBA	<b>Section:</b>	01
<b>Instructor:</b>	A. Serletis	<b>Place:</b>	TBA (subject to change)
<b>Office:</b>	SS 408	<b>Telephone.:</b>	220-4092
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### TOPICS & READINGS

#### FUNDAMENTALS OF MONETARY POLICY RESEARCH

- a. ***Introduction to Time Series and Stochastic Dynamic Models***
  - James D. Hamilton. *Time Series Analysis*, Princeton (1994). Chapters 2, 11, 15, and 19.
  - Walter Enders. *Applied Econometric Time Series*, Wiley (2004). Chapters 4-6.
- b. ***Money, Output, and Prices***
  - Christopher Sims. "Money, Income, and Causality". *American Economic Review* 62 (1972), 540-552.
  - Ben S. Bernanke. "Alternative Explanations of the Money-Income Correlation." Carnegie Rochester Conference Series on Public Policy, 25 (1986).
  - James H. Stock and Mark W. Watson. "Interpreting the Evidence on Money-Income Causality." *Journal of Econometrics* 40 (1989), 161-181.
  - James Cover. "Asymmetric Effects of Positive and Negative Money-Supply Shocks." *Quarterly Journal of Economics* 107 (1992), 1261-1282.
- c. ***Estimating the Effects of Money Shocks***
  - Christopher Sims. "Macroeconomics and Reality." *Econometrica* 48 (1980), .
  - Ben S. Bernanke and Alan S. Blinder. "The Federal Funds Rate and the Channels of Monetary Transmission." *American Economic Review* 82 (1992), 901-921.
  - Christopher Sims. "Interpreting the Macroeconomic Time Series Facts: The Effects of Monetary Policy." *European Economic Review* 36 (1992), 975-1000.
  - Martin Eichenbaum. "Comments on 'Interpreting the Macroeconomic Time Series Facts: The Effects of Monetary Policy' by Christopher Sims." *European Economic Review* 36 (1992), 1001-1011. .../2

- Eric M. Leeper and David B. Gordon. "In Search of the Liquidity Effect." *Journal of Monetary Economics* 29 (1992), 341-369.
- Steven Strongin. "The Identification of Monetary Policy Disturbances: Explaining the Liquidity Puzzle." *Journal of Monetary Economics* 35 (1995), 463-497.
- Lawrence J. Christiano, Martin Eichenbaum, and Charles Evans. "The Effects of Monetary Policy Shocks: Evidence from the Flow of Funds." *Review of Economics and Statistics* 78 (1996), 16-34.
- Michael Dueker and Apostolos Serletis. "The Sensitivity of Empirical Studies to Alternative Measures of the Monetary Base and Reserves." *The Federal Reserve Bank of St. Louis Review* 78 (1996), 51-69.

## MONETARY GROWTH THEORY

### a. *Descriptive Growth Theory and Money*

- Robert M. Solow, "A Contribution to the Theory of Growth." *Quarterly Journal of Economics* 70 (1956), 65-94.
- James Tobin. "Money and Economic Growth." *Econometrica* 33 (1965), 671-684.
- Levhari, D. and D. Patinkin. "The Role of Money in a Simple Growth Model." *American Economic Review* (1968), 713-753.

### b. *The Optimal Growth Model with Money*

- Miguel Sidrauski. "Rational Choice and Patterns of Growth in a Monetary Economy." *American Economic Review* 57 (1967), 534-544.
- Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007), Chapters 4 and 5.

### c. *The Overlapping Generations Model with Money*

- Olivier Jean Blanchard and Stanley Fischer. *Lectures in Macroeconomics* (1989), Chapter 3, Parts 1 and 2.
- Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007), Chapter 5.

### d. *Empirical Evidence on the Neutrality of Money*

- Robert E. Lucas Jr. "Two Illustrations of the Quantity Theory of Money." *American Economic Review* 70 (1980), 1005-1014.
- Mark Fisher and John Seater. "Long-Run Neutrality and Superneutrality in an ARIMA Framework." *American Economic Review* 83 (1993), 402-415.
- Robert King and Mark Watson. "Testing Long-Run Neutrality." *Federal Reserve Bank of Richmond Economic Quarterly* 83 (1997), 69-101.
- Robert E. Lucas Jr. "Monetary Neutrality." *Journal of Political Economy* 104 (1996), 661-682.

- Apostolos Serletis and Zisimos Koustas. "International Evidence on the Neutrality of Money." *Journal of Money, Credit and Banking* 30 (1998), 1-25.
- Zisimos Koustas and Apostolos Serletis. "On the Fisher Effect." 44 (1999), 105-130.
- Zisimos Koustas and Apostolos Serletis. "Monetary Aggregation and the Neutrality of Money." *Economic Inquiry* 39 (2001), 124-138.

## **MONEY, INFLATION, AND WELFARE**

### a. *Government Revenue from Money Creation*

- Phillip Cagan. "The Monetary Dynamics of Hyperinflation." In Milton Friedman (ed.), *Studies in the Quantity Theory of Money*. Chicago: University of Chicago Press, 1956.
- Milton Friedman. "Government Revenue from Inflation." *Journal of Political Economy* 79 (1971), 846-856.
- Leonardo Aurnheimer. "The Honest Government's Guide to the Revenue from the Creation of Money." *Journal of Political Economy* 82 (1974), 598-606.
- Guillermo Calvo. "Optimal Seigniorage from Money Creation." *Journal of Monetary Economics* (1978).
- Gregory N. Mankiw. "The Optimal Collection of Seigniorage: Theory and Evidence." *Journal of Monetary Economics* 20 (1987), 327-341.

### b. *The Welfare Cost of Inflation*

- Martin Bailey. "The Welfare Cost of Inflationary Finance." *Journal of Political Economy* 64 (1956), 93-110.
- Robert E. Lucas Jr., "Inflation and Welfare." *Econometrica* 68 (2000), 247-274.
- Apostolos Serletis and Kazem Yavari, "The Welfare Cost of Inflation in Canada and the United States." *Economics Letters* 84 (2004), 199-204.

## **THE DEMAND FOR MONEY AND MONETARY AGGREGATION ISSUES**

### a. *Traditional Money Demand Specifications*

- Apostolos Serletis. *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007). Chapters 7-14.
- Stephen M. Goldfeld and Daniel E. Sichel. "The Demand for Money." In Benjamin M. Friedman and Frank H. Hahn (eds.), *Handbook of Monetary Economics*, Chapter 8.

### b. *New Approaches to Monetary Aggregation*

- William A. Barnett. "Economic Monetary Aggregates: An Application of Aggregation and Index Number Theory." *Journal of Econometrics* 14 (1980), 11-48.
- William A. Barnett, E.K. Osenbacher, and P.A. Spindt. "The New Divisia Monetary Aggregates." *Journal of Political Economy* 92 (1984), 1049-1085.
- Julio J. Rotemberg, John C. Driscoll, and James M. Poterba. "Money, Output, and Prices: Evidence from a New Monetary Aggregate." *Journal of Business and Economic Statistics* 13 (1995), 67-83. .../4
- Michael T. Belongia. "Measurement Matters: Recent Results from Monetary Economics Re-examined." *Journal of Political Economy* 104 (1996), 1065-1083.

- Apostolos Serletis. *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007). Chapters 16 and 17.

c. ***Consumer Theory and the Demand for Money***

- William A. Barnett, Douglas Fisher, and Apostolos Serletis. "Consumer Theory and the Demand for Money." *Journal of Economic Literature* 30 (1992), 2086-2119.
- Apostolos Serletis. *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007). Chapters 15 and 18-24.
- Apostolos Serletis and Asghar Shahmoradi. "Semi-Nonparametric Estimates of the Demand for Money in the United States." *Macroeconomic Dynamics* 9 (2005), 542-559.
- Apostolos Serletis and Asghar Shahmoradi. "Flexible Functional Forms, Curvature Conditions, and the Demand for Assets." *Macroeconomic Dynamics* 11 (2007), 455-486.
- William A. Barnett and Apostolos Serletis. "Consumer Preferences and Demand Systems." *Journal of Econometrics* 147 (2008), 210-224.
- William A. Barnett and Apostolos Serletis. "Measuring Consumer Preferences and Estimating Demand Systems." In Daniel Slottje (ed.), *Quantifying Consumer Preferences: Estimating Demand Systems*. Contributions to Economic Analysis. Elsevier (forthcoming).
- William A. Barnett and Apostolos Serletis. "The Differential Approach to Demand Analysis and the Rotterdam Model." In Daniel Slottje (ed.), *Quantifying Consumer Preferences: Estimating Demand Systems*. Contributions to Economic Analysis. Elsevier (forthcoming).

## **MONETARY POLICY**

a. ***Rules versus Discretion in Monetary Policy***

- Stanley Fischer. "Rules versus Discretion in Monetary Policy." In Benjamin M. Friedman and Frank H. Hahn (eds.), *Handbook of Monetary Economics*, Chapter 21.

b. ***Targets and Instruments of Monetary Policy***

- Benjamin M. Friedman. "Target and Instruments of Monetary Policy." In Benjamin M. Friedman and Frank H. Hahn (eds.), *Handbook of Monetary Economics*, Chapter 22.

## **Grade Determination and Final Examination Details:**

This is a reading course. The final grade will be determined based on two papers, each worth 50% of the final mark.

### **Notes:**

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within fifteen days* of the work being returned to the class.

- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

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