

## Syllabus

**Day: Friday**

**Time: 14:30 – 17:30**

**Room: Desmarais (DMS) 11161**

**Professor: Patrick Leblond**

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### COURSE DESCRIPTION

The course is concerned with the power and limitations of macroeconomic policy in promoting long term growth and in stabilizing short run fluctuations. It studies the relationships between output, employment, investment, inflation, interest rate, and to some extent the balance of payments and the exchange rate. It also analyses the local and global economic consequences of fiscal and monetary policies. Finally, it provides an examination of the actual conduct of fiscal and monetary policies by governments, placing the Canadian experience in a comparative perspective.

### COURSE OBJECTIVES

The course's objectives are for students to be able to evaluate macroeconomic conditions, understand the factors that produce economic growth and, finally, understand how monetary and fiscal policies affect the economy.

### TEACHING APPROACH

The course will consist of readings, lectures, class discussions and exercises. An important portion of the course will be devoted to class discussions. It is thus very important for students to do the required readings before class and, obviously, to be present in class.



Suggested readings are for those students who want to deepen their understanding of a particular theme or issue studied in class. They can be especially useful for exams and, later on, major research papers.

## **ASSESSMENT**

➤ Short Assignments:	25%
➤ Mid-term exam:	25%
➤ Take Home Final Exam:	35%
➤ Participation:	15%

### Short Assignments (25%)

There are two compulsory assignments; the third one is optional. The professor will take the average of the best two assignments in computing the student's final grade. Each assignment is to be completed by a team of two students and will consist of a set of brief questions and problems. The first assignment is due in class on session #5 (October 7, 2011). The second assignment is due in class on session #10 (November 18, 2011). The third assignment is due in class on session #12 (December 2, 2011). Each assignment will be handed out one week before it is due.

### Mid-term Exam (25%)

The mid-term exam is a 2.5 hour in-class exam that will take place on session #7 (October 21, 2011). It will cover material seen during sessions 1 to 6. More information about the exam's format will be provided at a later date.

### Take-home Final Exam (35%)

Students will have two weeks to complete a take-home final exam. The questions will be distributed on session #12 (December 2, 2011). The answers are **due no later than 4pm (16:00) on December 16, 2011**; they are to be delivered by e-mail at [pleblond@uottawa.ca](mailto:pleblond@uottawa.ca). More information about the exam's format will be provided at a later date. (*Note: There is a penalty for late submissions. The penalty corresponds to a 5% reduction of the exam's grade for every hour that passes after the deadline until the paper is submitted.*)

### Participation (15%)

The participation grade will be a function of the following criteria:

- Presence in class (50%)
- Active participation in class discussions and the online forum on Blackboard Vista (50%)



For information about writing papers and exams as well as other helpful tools advice, please consult the following website: <http://www.sciencesociales.uottawa.ca/USB/cleusbkey.swf>.

**Be Aware of Academic Fraud!**

Academic fraud is an act committed by a student and it can negatively effect your school evaluation (with respect to assignments, tests, exams, etc.). It is not tolerated by the University. Anyone found guilty of fraud will be liable to severe penalties.

Here are some examples of academic fraud:

- Plagiarize or cheat in any way;
- Present falsified research data;
- Submission of an assignment that, in part or in entirety, you are not the author of;
- Presentation of, without the written permission of the professor(s) concerned, the same work from another course.

Over the years, the perfection of the Internet has strongly facilitated the discovery of cases of plagiarism. The tools that are at the disposal of your professors permit, with the help of only a few words, to retrace the origin of a text on the Web.

For more information on fraud and how to avoid it, you can refer to the Faculty web page, which offers tips to help you with your studies and the writing process for university level projects at the following address: [http://www.socialsciences.uottawa.ca/eng/ugrad\\_tips.asp](http://www.socialsciences.uottawa.ca/eng/ugrad_tips.asp). You can also refer to the Faculty web page for information on plagiarism and university assignments: <http://www.socialsciences.uottawa.ca/eng/ethics.asp>.

The person who committed or attempts to commit academic fraud or who was an accomplice will be punished. Here are some examples of sanctions that could be imposed:

- The assignment or course in question will receive a grade of “F”;
- An additional requirement will be added to the program of study (3 to 30 credits);
- Suspension or expulsion from the Faculty.

Over the past session, the majority of people found guilty of fraud received an “F” in their course and will need to obtain three to twelve extra credits in their program of study.

You may refer to the following address to find the regulations:  
[http://www.uottawa.ca/academic/info/newsletter/fraud\\_e.html](http://www.uottawa.ca/academic/info/newsletter/fraud_e.html)



## COURSE MATERIAL

### *Required Readings*

- Farrokh K. Langdana, *Macroeconomic Policy: Demystifying Monetary and Fiscal Policy*, New York: Springer, 2009. (Available for purchase at uOttawa's bookstore)
- Articles and other documents available on Blackboard Vista, the University of Ottawa's library website or directly from the syllabus (web link).

### *Suggested Reference Books*

- Curtis, D., I. Irvine, and D. Begg, *Macroeconomics*, 2<sup>nd</sup> Canadian Edition, 2010, McGraw-Hill, 448 pages.
- William J. Baumol, Alan S. Blinder, Marc Lavoie and Mario Seccareccia, *Macroeconomics: Principles and Policy*, 1st Canadian Edition, Toronto: Nelson Education, 2010.
- N. Gregory Mankiw, *Principles of Macroeconomics*, 4<sup>th</sup> Canadian edition, Toronto: Thomson Nelson, 2008.

## **COURSE SCHEDULE AND READINGS**

### Notes:

- Readings followed by a \* sign are available on the University of Ottawa's library website under the category "E-journals".
- Readings followed by a \*\* sign are available on the course's website on Blackboard Vista.
- All other readings are either available from the textbook or a web link found directly in the syllabus.

## **SESSION 1 (September 9)**

### **INTRODUCTION**

- Course introduction and organization
- What is the macroeconomy?
- What is macroeconomics?
- The goals of macroeconomic policy

### *Required Readings*

- Langdana, Farrokh K., *Macroeconomic Policy*, chapter 1.
- Krugman, Paul, "How Did Economists Get It So Wrong?", *The New York Times Magazine*, September 2, 2009.  
(<http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html>)



- Cochrane, John H., “How Did Krugman Get It So Wrong?”, mimeo, Booth School of Business, University of Chicago, September 16, 2009, 9 pages. ([http://faculty.chicagobooth.edu/john.cochrane/research/papers/krugman\\_response.doc](http://faculty.chicagobooth.edu/john.cochrane/research/papers/krugman_response.doc))
- White, William, “Modern Macroeconomics Is on the Wrong Track”, *Finance and Development*, December 2009, pp. 15-18. (<http://www.imf.org/external/pubs/ft/fandd/2009/12/pdf/white.pdf>)
- “Economic focus: An economic bestiary”, *The Economist*, March 28<sup>th</sup> 2009, p. 88 (US edition).\*

### Suggested Readings

- See other responses to Paul Krugman’s article at: <http://economy.nationaljournal.com/2009/09/professor-krugmans-opus.php#1352514>.
- Caballero, Ricardo J., “Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome”, *Journal of Economic Perspectives*, vol. 24, no. 4, 2010, pp. 85-112.
- Blanchard, Olivier, Giovanni Dell’Ariccia and Paolo Mauro, “Rethinking Macroeconomic Policy”, *Journal of Money, Credit and Banking*, vol. 42, Supplement 1 (September), 2010, pp. 199-215. See also “Rethinking macro policy”, *VoxEU.org*, February 16, 2010. (<http://www.voxeu.org/index.php?q=node/4617>)
- Faruqee, Hamid, Alasdair Scott and Natalia Tamirisa, “In search of a smoking gun: macroeconomic policies and the crisis”, *Oxford Review of Economic Policy*, vol. 25, no. 4, 2009, pp. 553-580.
- Wickens, M.R., “What’s Wrong with Modern Macroeconomics? Why its Critics Have Missed the Point”, *CESifo Economic Studies*, vol. 56, no. 4, 2010, pp. 536-553.
- Mankiw, Gregory N., “The Macroeconomist as Scientist and Engineer”, *Journal of Economic Perspectives*, vol. 20, no. 4, 2006, pp. 29-46.
- Chari, V.V. and Patrick J. Kehoe, “Modern Macroeconomics in Practice: How Theory Is Shaping Policy”, *Journal of Economic Perspectives*, vol. 20, no. 4, 2006, pp. 3-28.

## SESSION 2 (September 16)

### THE MACROECONOMY

- Fundamental definitions
- Measuring national economic activity
- The national savings identity

### Required Readings

- Langdana, Farrokh K., *Macroeconomic Policy*, chapters 2-3, pp. 7-46.
- Callen, Tim, “What Is Gross Domestic Product?”, *Finance and Development*, vol. 45, no. 4 (December), 2008, pp. 48-49. (<http://www.imf.org/external/pubs/ft/fandd/2008/12/pdf/basics.pdf>)
- Gertner, Jon, “The Rise and Fall of the G.D.P.”, *The New York Times Magazine*, May 16, 2010, pp. 60-71. (<http://www.nytimes.com/2010/05/16/magazine/16GDP-t.html>)



- Oner, Ceyda, “What Is inflation?”, *Finance and Development*, vol. 47, no. 1 (March), 2010, pp. 44-45. (<http://www.imf.org/external/pubs/ft/fandd/2010/03/pdf/basics.pdf>)
- Oner, Ceyda, “What Constitutes Unemployment?”, *Finance and Development*, vol. 47, no. 3 (September), 2010, pp. 48-49. (<http://www.imf.org/external/pubs/ft/fandd/2010/09/pdf/basics.pdf>)
- Claessens, Stijn and M. Ayhan Kose, “What Is a Recession?”, *Finance and Development*, vol. 46, no. 1 (March), 2009, pp. 52-53. (<http://www.imf.org/external/pubs/ft/fandd/2009/03/pdf/basics.pdf>)
- Shiller, Robert J., “Needed: A Clearer Chrystal Ball”, *The New York Times*, April 30, 2011. (<http://www.nytimes.com/2011/05/01/business/economy/01view.html>)
- Boivin, Jean, “The ‘Great’ Recession in Canada: Perception vs. Reality”, Remarks to the Montreal CFA Society, Montreal, QC, 28 March 2011. (<http://www.bankofcanada.ca/2011/03/speeches/great-recession-canada-perception-reality/>)

### Suggested Readings

- Rates and Statistics, Bank of Canada: <http://www.bankofcanada.ca/en/rates/index.html>.
- The Inflation Calculator, Bank of Canada: [http://www.bankofcanada.ca/en/rates/inflation\\_calc.html](http://www.bankofcanada.ca/en/rates/inflation_calc.html).
- Ragan, Christopher, “Fixing Canada’s CPI: A Simple and sensible Policy Change for Minister Flaherty”, e-brief, March 8, 2011, Toronto: C.D. Howe Institute. ([http://www.cdhowe.org/pdf/ebrief\\_111.pdf](http://www.cdhowe.org/pdf/ebrief_111.pdf))
- Akerlof, George A. and Robert J. Schiller, “Why Are There People Who Cannot Find a Job?”, chapter 8 in *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton University Press, 2009, pp. 97-106.
- Akerlof, George A. and Robert J. Schiller, “Why is There a Trade-off between Inflation and Unemployment in the Long Run?”, chapter 9 in *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton University Press, 2009, pp. 107-115.
- Akerlof, George A. and Robert J. Schiller, “Why Is Saving for the Future So Arbitrary?”, chapter 10 in *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton University Press, 2009, pp. 116-130.
- Ghosh, Atish and Uma Ramakrishnan, “Do Current Account Deficits Matter?”, *Finance and Development*, vol. 43, no. 4 (December), 2006. (<http://www.imf.org/external/pubs/ft/fandd/2006/12/basics.htm>)
- Romer, Christina D., “Changes in Business Cycles: Evidence and Explanations”, *Journal of Economic Perspectives*, vol. 13, no. 2, 1999, pp. 23-44.
- Basu, Susanto and Alan M. Taylor, “Business Cycles in International Historical Perspective”, *Journal of Economic Perspectives*, vol. 13, no. 2, 1999, pp. 45-68.
- Zarnowitz, Victor, “Theory and History Behind Business Cycles: Are the 1990s the Onset of a Golden Age?”, *Journal of Economic Perspectives*, vol. 13, no. 2, 1999, pp. 69-90.

## SESSION 3 (September 23)

### ECONOMIC GROWTH



- Theory and policy
- Convergence hypothesis
- Productivity

#### Required Readings

- Romer, Paul, "Economic Growth", in David R. Henderson (ed.), *The Concise Encyclopedia of Economics*, Liberty Fund, 2007.  
(<http://www.stanford.edu/~promer/EconomicGrowth.pdf>)
- Rodrik, Dani, "Fifty Years of Growth (and Lack Thereof): An Interpretation", chapter 1 in *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth*, Princeton, NJ: Princeton University Press, 2007, pp. 13-55.\*\*
- Easterly, William, "Solow's Surprise: Investment Is Not the Key to Growth", chapter 3 in *The Elusive Quest for Growth*, Cambridge, MA: MIT Press, 2001, pp. 47-69.\*\*
- Zagha, Roberto, Gobind Nankani and Indermit Gill, "Rethinking Growth", *Finance and Development*, vol. 43, no. 1 (March), 2006.  
(<http://www.imf.org/external/pubs/ft/fandd/2006/03/zagha.htm>)
- Carney, Mark, "The Virtue of Productivity in a Wicked World", Speech to the Ottawa Economics Association, Ottawa, Ontario, 24 March 2010.  
(<http://www.bankofcanada.ca/en/speeches/2010/sp240310.html>)
- Eichengreen, Barry, "Crisis and Growth in the Advanced Economies: What We Know, What We Do not, and What We Can Learn from the 1930s", *Comparative Economic Studies*, vol. 53, 2011, pp. 383-406.\*

#### Suggested Readings

- Aghion, Philippe and Steven N. Durlauf (eds), *Handbook of Economic Growth*, Boston: Elsevier/North-Holland, 2005.
- Easterly, William, "Tales of Increasing Returns: Leaks, Matches, and Traps", chapter 8 in *The Elusive Quest for Growth*, Cambridge, MA: MIT Press, pp. 145-169.
- Barro, Robert J., *Determinants of Economic Growth: A Cross-Country Empirical Study*, Cambridge, MA: MIT Press, 1997.
- Dion, Richard, "Interpreting Canada's Productivity Performance in the Past Decade: Lessons from Recent Research", *Bank of Canada Review*, Summer 2007, pp. 19-32.  
(<http://www.bankofcanada.ca/en/review/summer07/dion.pdf>)
- Pritchett, Lant, "The Quest Continues", *Finance and Development*, vol. 43, no. 1 (March), 2006. (<http://www.imf.org/external/pubs/ft/fandd/2006/03/pritchet.htm>)
- Baily, Martin Neil and Diana Farrell, "Breaking Down Barriers to Growth", *Finance and Development*, vol. 43, no. 1 (March), 2006.  
(<http://www.imf.org/external/pubs/ft/fandd/2006/03/baily.htm>)
- Johnson, Simon, Jonathan D. Ostry and Arvind Subramanian, "Levers for Growth", *Finance and Development*, vol. 43, no. 1 (March), 2006.  
(<http://www.imf.org/external/pubs/ft/fandd/2006/03/johnson.htm>)
- Lucas, Robert E., "Some Macroeconomics for the 21<sup>st</sup> Century", *Journal of Economic Perspectives*, vol. 14, no. 1, 2000, pp. 159-168.
- Krugman, Paul, "The Myth of Asia's Miracle", *Foreign Affairs*, vol. 73, no. 6 (November/December), 1994, pp. 62-78.



- Friedman, Benjamin M., *The Moral Consequences of Economic Growth*, New York: Knopf, 2005.

#### SESSION 4 (September 30)

##### AGGREGATE DEMAND (I)

- Components
- Derivation
- Demand-side stabilization
- The income multiplier

##### Required Readings

- Langdana, Farrokh K., *Macroeconomic Policy*, chapters 4-5, pp. 47-104.
- “Economic focus: Much ado about multipliers”, *The Economist*, September 24, 2009.\*
- Horton, Mark and Asmaa El-Ganainy, “What Is Fiscal Policy?”, *Finance and Development*, vol. 46, no. 2 (June), 2009, pp. 52-53.  
(<http://www.imf.org/external/pubs/ft/fandd/2009/06/pdf/basics.pdf>)
- Mathai, Koshy, “What Is Monetary Policy?”, *Finance and Development*, vol. 46, no. 3 (September), 2009, pp. 46-47.  
(<http://www.imf.org/external/pubs/ft/fandd/2009/09/pdf/basics.pdf>)

##### Suggested Readings

- Akerlof, George A. and Robert J. Schiller, “Confidence and Its Multipliers”, chapter 1 in *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton University Press, 2009, pp. 11-18.
- Akerlof, George A. and Robert J. Schiller, “Money Illusion”, chapter 4 in *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton University Press, 2009, pp. 41-50.

#### SESSION 5 (October 7)

##### AGGREGATE DEMAND (II)

- IS-LM Model

##### Required Readings

- Langdana, Farrokh K., *Macroeconomic Policy*, chapter 7, pp. 131-158.

##### Suggested Readings

- Colander, David, “The Strange Persistence of the IS-LM Model”, *History of Political Economy*, vol. 36, Supplement, 2004, pp. 305-322.



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- Krugman, Paul, “How Complicated Does the Model Have to Be?”, *Oxford Review of Economic Policy*, vol. 16, no. 4, 2000, pp. 33-42.
- Blanchard, Olivier, “What Do We Know about Macroeconomics that Fisher and Wicksell Did Not?”, *Quarterly Journal of Economics*, vol. 115, no. 4, 2000, pp. 1375-1409.

### SESSION 6 (October 14)

#### AGGREGATE SUPPLY

- The Classical Model
- The Keynesian Model

#### Required Readings

- Langdana, Farrokh K., *Macroeconomic Policy*, chapters 8-10, pp. 159-243.

#### Suggested Readings

- Ohanian, Lee E., “The Economic Crisis from a Neoclassical Perspective”, *Journal of Economic Perspectives*, vol. 24, no. 4, 2010, pp. 45-66.

### SESSION 7 (October 21)

#### MID-TERM EXAM

### SESSION 8 (November 4)

#### FISCAL POLICY

- Taxes and spending
- Fiscal multiplier
- Deficits and debt
- Political business cycle
- Ageing population

#### Required Readings

- Soucy, Jean and Marion G. Wrobel, “Fiscal Policy in Canada: the Changing Role of the Federal and Provincial Governments”, Ottawa: Government of Canada, March 2000. (<http://dsp-psd.pwgsc.gc.ca/Collection-R/LoPBdP/CIR/912-e.htm>)
- Von Hagen, Jürgen, “Political Economy of Fiscal Institutions”, chapter 26 in Barry R. Weingast and Donald A. Wittman (eds), *The Handbook of Political Economy*, New York: Oxford University Press, 2006, pp. 464-478.\*\*
- Baldacci, Emanuele and Sanjeev Gupta, “Fiscal Expansions: What Works”, *Finance and Development*, vol. 46, no. 4 (December), 2009, pp. 35-37. (<http://www.imf.org/external/pubs/ft/fandd/2009/12/pdf/baldacci.pdf>)



- Ilzetzki, Ethan, Enrique G. Mendoza and Carlos A. Vegh, “How big are fiscal multipliers? New evidence from new data”, VoxEU.org, 1 October 2009. (<http://www.voxeu.org/index.php?q=node/4036>)
- Dolls, Mathias, Clemens Fuest and Andreas Peichl, “Automatic stabilisers and the economic crisis in Europe and the US”, VoxEU.org, 17 September 2010. (<http://www.voxeu.org/index.php?q=node/5529>)
- Blanchard, Olivier and Carlo Cottarelli, “Ten commandments for fiscal adjustment in advanced economies”, VoxEU.org, 28 June 2010. (<http://www.voxeu.org/index.php?q=node/5247>)
- Horton, Mark, “How Grim a Fiscal Future?”, *Finance and Development*, vol. 47, no. 3 (September), 2010, pp. 26-29. (<http://www.imf.org/external/pubs/ft/fandd/2010/09/pdf/horton.pdf>)
- “Economic focus: Cutting edge”, *The Economist*, October 2, 2010, p. 84 (US edition).\*
- “Economic focus: Cut or loose”, *The Economist*, July 16, 2011, p. 79 (US edition).\*
- Kotlikoff, Laurence J., “A Hidden Fiscal Crisis”, *Finance and Development*, vol. 47, no. 3 (September), 2010, pp. 30-33. (<http://www.imf.org/external/pubs/ft/fandd/2010/09/pdf/kotlikoff.pdf>)

#### Suggested Readings

- Eslava, Marcela, “The Political Economy of Fiscal Deficits: A Survey”, *Journal of Economic Surveys*, vol. 25, no. 4, pp. 645-673.
- Auerbach, Alan J., William G. Gale and Benjamin H. Harris, “Activist Fiscal Policy”, *Journal of Economic Perspectives*, vol. 24, no. 4, 2010, pp. 141-164.
- Veldhuis, Niels, Amela Karabegovic and Charles Lammam, “Did Government Stimulus Fuel Economic Growth in Canada? An Analysis of Statistics Canada Data”, Fraser Alert, Vancouver: Fraser Institute, March 2010. (<http://www.fraserinstitute.org/research-news/display.aspx?id=15912>)
- Aizenman, Joshua and Gurnain Kaur Pasricha, “The net fiscal expenditure stimulus in the US 2008-2009: Less than what you might think”, VoxEU.org, 3 March 2010. (<http://www.voxeu.org/index.php?q=node/4707>)
- Auerbach, Alan J. and Yuriy Gorodnichenko, “Measuring the output responses to fiscal policy”, VoxEU.org, 3 September 2010. (<http://www.voxeu.org/index.php?q=node/5462>)
- Reinhart, Carmen M. and Kenneth Rogoff, “Debt and growth revisited”, VoxEU.org, 11 August 2010. (<http://www.voxeu.org/index.php?q=node/5395>)
- Arezki, Rabah and Markus Brückner, “Debt and Democracy”, *Finance and Development*, vol. 47, no. 2 (June), 2010, pp. 30-32. (<http://www.imf.org/external/pubs/ft/fandd/2010/06/pdf/arezki.pdf>)
- Augustine, T.J., Alexander Maasry, Joe Nation, Damilola Sobo, David M. Walker, and Di Wang, “A Sovereign Fiscal Responsibility Index”, SIEPR Policy Brief, Stanford Institute for Economic Policy Research, Stanford University, April 2011. ([http://siepr.stanford.edu/system/files/shared/documents/policybrief\\_04\\_2011.pdf](http://siepr.stanford.edu/system/files/shared/documents/policybrief_04_2011.pdf))
- Finger, Harald and Azim Sadikov, “Lowering Public Debt”, *Finance and Development*, vol. 47, no. 2 (June), 2010, pp. 36-38. (<http://www.imf.org/external/pubs/ft/fandd/2010/06/pdf/finger.pdf>)



- International Monetary Fund, “Will It Hurt? Macroeconomic Effects of Fiscal Consolidation”, chapter 3 in *World Economic Outlook*, October 2010. (<http://www.imf.org/external/pubs/ft/weo/2010/02/pdf/c3.pdf>)
- Elmendorf, Douglas W. and Louise M. Sheiner, “Should America Save for Its Old Age? Fiscal Policy, Population Aging, and National Saving”, *Journal of Economic Perspectives*, vol. 14, no. 3, 2000, pp. 57-74.

## SESSION 9 (November 11)

### MONEY AND BANKING

- Evolution of money
- Functions of money
- The Banking System

#### Required Readings

- “What is Money?”, Backgrounder, Ottawa: Bank of Canada. (<http://www.bankofcanada.ca/en/backgrounders/bg-m1.html>)
- “Canada’s Money Supply”, Backgrounder, Ottawa: Bank of Canada. (<http://www.bankofcanada.ca/en/backgrounders/bg-m2.html>)
- Bryant, Ralph C., “Financial Intermediation”, chapter 2 in *International Financial Intermediation*, Washington, DC: The Brookings Institutions, 1987, pp. 6-14.\*\*
- White, Lawrence H., “The Evolution of Market Monetary Institutions”, chapter 1 in *The Theory of Monetary Institutions*, Malden, MA: Blackwell, 1999, pp. 1-25.\*\*
- Freedman, Charles and Walter Engert, “Financial Developments in Canada: Past Trends and Future Challenges”, *Bank of Canada Review*, Summer 2003, pp. 3-16. (<http://www.bankofcanada.ca/en/review/summer03/engerte.pdf>)
- “Banks operating in Canada”, Canadian Bankers Association, (<http://www.cba.ca/en/component/content/category/61-banks-operating-in-canada>)

#### Suggested Readings

- Chown, John F., “Some Concepts of Money”, chapter 2 in *A History of Money: From AD 800*, New York: Routledge, 1994, pp. 9-22.
- Freeman, Charles, “The Canadian Banking System”, Ottawa: Bank of Canada. (<http://www.bankofcanada.ca/en/res/tr/1998/tr81.pdf>)
- Allen, Jason and Walter Engert, “Efficiency and Competition in Canadian Banking”, *Bank of Canada Review*, Summer 2007, pp. 33-45. (<http://www.bankofcanada.ca/wp-content/uploads/2010/06/allen-engert.pdf>)
- Moxley, Jill, Helen Meubus and Maura Brown, “The *Canadian Journey*: An Odyssey into the Complex World of Bank Note Production”, *Bank of Canada Review*, Autumn 2007, pp. 47-55. (<http://www.bankofcanada.ca/en/review/autumn07/moxley-meubus-brown.pdf>)
- Woodford, Michael, “Financial Intermediation and Macroeconomic Analysis”, *Journal of Economic Perspectives*, vol. 24, no. 4, 2010, pp. 21-44.



- Helleiner, Eric, *The Making of National Money: Territorial Currencies in Historical Perspective*, Ithaca, NY: Cornell University Press, 2003.
- Verdier, Daniel, *Moving Money: Banking and Finance in the Industrialized World*, Cambridge University Press, 2002.
- Cohen, Benjamin J., *The Future of Money*, Princeton, NJ: Princeton University Press, 2004.

## SESSION 10 (November 18)

### MONETARY POLICY AND CENTRAL BANKING (I)

- Role of monetary policy
- Monetary policy instruments
- Inflation targeting
- Central bank independence

#### Required Readings

- Langdana, Farrokh K., *Macroeconomic Policy*, chapter 11, pp. 245-279.
- Ragan, Christopher, "Why Monetary Policy Matters: A Canadian Perspective", *Bank of Canada Review*, Winter 2006-2007, pp. 19-25.  
(<http://www.bankofcanada.ca/en/review/winter06-07/ragan.pdf>)
- "Only human: A special report on central banks and the world economy", *The Economist*, October 20, 2007.\*\*
- Bernanke, Ben S., Thomas Laubach, Frederic S. Mishkin and Adam S. Posen, "The Rationale for Inflation Targeting", chapter 2 in *Inflation Targeting: Lessons from the International Experience*, Princeton, NJ: Princeton University Press, 1999, pp. 10-25.\*\*
- Roger, Scott, "Inflation Targeting Turns 20", *Finance and Development*, vol. 47, no.1 (March), 2010, pp. 46-49.  
(<http://www.imf.org/external/pubs/ft/fandd/2010/03/pdf/roger.pdf>)
- Cukierman, Alex, "Central bank independence and monetary policymaking institutions — Past, present, and future", *European Journal of Political Economy*, vol. 24, no. 4, 2008, pp. 722-736.\*

#### Suggested Readings

- Langdana, Farrokh K., *Macroeconomic Policy*, chapter 6, pp. 107-130.
- "Monetary Policy", Backgrounder, Ottawa: Bank of Canada.  
(<http://www.bankofcanada.ca/en/backgrounders/bq-p1.html>)
- "Target for the Overnight Rate", Backgrounder, Ottawa: Bank of Canada.  
(<http://www.bankofcanada.ca/en/backgrounders/bq-p9.html>)
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## SESSION 11 (November 25)

### MONETARY POLICY AND CENTRAL BANKING (II)

- Monetary policy and the global financial crisis

#### *Required Readings*



- Mathai, Koshy and Simon Wilson, “Uncharted Territory: When aggressive monetary policy combats a crisis”, *Finance and Development*, vol. 46, no. 2 (June), 2009, pp. 32-33. (<http://www.imf.org/external/pubs/ft/fandd/2009/06/pdf/picture.pdf>)
- Trichet, Jean-Claude, “State of the Union: The Financial Crisis and the ECB’s Response between 2007 and 2009”, *Journal of Common Market Studies* 48: Annual Review, 2010, pp. 7-19.\*
- Bernanke, Ben, “Aiding the Economy: What the Fed Did and Why”, *The Washington Post*, 5 November 2010. ([http://www.federalreserve.gov/newsevents/other/o\\_bernanke20101105a.htm](http://www.federalreserve.gov/newsevents/other/o_bernanke20101105a.htm))
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- Macklem, Tiff, “Reflections on Monetary Policy After the Great Recession”, Remarks to the International Finance Club of Montreal, Montreal, QC, 5 October 2010. (<http://www.bankofcanada.ca/wp-content/uploads/2010/10/sp051010.pdf>)
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- Boivin, Jean, Timothy Lane and Césaire Meh, “Should Monetary Policy Be Used to Counteract Financial Imbalances?”, *Bank of Canada Review*, Summer 2010, pp. 23-36. ([http://www.bankofcanada.ca/en/review/summer10/boivin\\_summer10.pdf](http://www.bankofcanada.ca/en/review/summer10/boivin_summer10.pdf))

### Suggested Readings

- Chailloux, Alexandre, Simon Gray, Ulrich Klüh, Seiichi Shimizu and Peter Stella, “Central Bank Response to the 2007-08 Financial Market Turbulence: Experiences and Lessons Drawn”, IMF Working Paper No. WP/08/210, Washington: International Monetary Fund, 2008. (<http://www.imf.org/external/pubs/ft/wp/2008/wp08210.pdf>)
- Minegishi, Makoto and Boris Cournède, “Monetary Policy Responses to the Crisis and Exit Strategies”, OECD Economics Department Working Papers No. 753, Paris: Organisation for Economic Cooperation and Development, 2010.
- Freixas, Xavier, “Monetary policy in a systemic crisis”, *Oxford Review of Economic Policy*, vol. 25, no. 4, 2009, pp. 630-653.
- Goodfriend, Marvin, “Central banking in the credit turmoil: An assessment of Federal Reserve practice”, *Journal of Monetary Economics*, vol. 58, no. 1, 2011, pp. 1-12.
- Murray, John, “Re-examining Canada’s Monetary Policy Framework: Recent Research and Outstanding Issues”, Remarks to the Canadian Association for Business Economics, Kingston, ON, 24 August 2010, 12 pages. (<http://www.bankofcanada.ca/en/speeches/2010/sp240810.pdf>)
- Stone, Mark R., Kenji Fujita and Kotaro Ishi, “Should Unconventional Balance Sheet Policies Be Added to the central Bank Toolkit? A Review of the Experience So Far”, IMF Working Paper no. 11/145, Washington: International Monetary Fund, 1 June 2011. (<http://www.imf.org/external/pubs/ft/wp/2011/wp11145.pdf>)

## SESSION 12 (December 2)

### MACROECONOMIC POLICY IN AN OPEN ECONOMY



## API5125 E Macroeconomic Policy

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- The balance of payments
- The IS-LM-BP model
- Monetary policy under different exchange rate regimes
- Fiscal policy under different exchange rate regimes

### Required Readings

- Taylor, Alan M., “Global Finance: Past and Present”, *Finance and Development*, vol. 41, no. 1 (March), 2004, pp. 28-31.  
(<http://www.imf.org/external/pubs/ft/fandd/2004/03/pdf/taylor.pdf>)
- Aizeman, Joshua, Menzie D. Chinn and Hiro Ito, “Assessing the emerging global financial architecture: Measuring the trilemma’s configurations over time”, VoxEU.org, 9 January 2009. (<http://www.voxeu.org/index.php?q=node/2770>)
- Levi, Maurice D., “The balance of payments”, chapter 7 in *International Finance*, 5<sup>th</sup> edition, New York: Routledge, 2009, pp. 145-165.\*\*
- Melvin, Michael, “Macroeconomic Policy in the Open Economy”, chapter 14 in *International Money and Finance*, 7<sup>th</sup> Edition, Boston: Pearson Education, 2004, pp. 251-271.\*\*

### Suggested Readings

- Melvin, Michael, “The Balance of Payments”, chapter 2 in *International Money and Finance*, 7th Edition, Boston: Pearson Education, 2004, pp. 23-40.
- Darity Jr., William and Warren Young, “IS-LM-BP: An Inquest”, *History of Political Economy*, vol. 36, Supplement, pp. 127-164.
- Obstfeld, Maurice, Jay C. Shambaugh and Alan M. Taylor, “The Trilemma in History: Tradeoffs Among Exchange Rates, Monetary Policies, and Capital Mobility”, *The Review of Economics and Statistics*, vol. 87, no. 3, 2005, pp. 423-438.
- Boyer, Russell S. and Warren Young, “Mundell’s *International Economics*: Adaptations and Debates”, *IMF Staff Papers*, vol. 52, Special Issue, 2005, pp. 160-179.  
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**Resources for you*****Mentoring Centre* - <http://www.sciencesociales.uottawa.ca/mentor/fra/>**

The goal of the Mentoring Centre is to help students with their academic and social well being during their time at the University of Ottawa. Regardless of where a student stands academically, or how far along they are in completing their degree, the mentoring centre is there to help students continue on their path to success.

A student may choose to visit the mentoring centre for very different reasons. Younger students may wish to talk to their older peers to gain insight into programs and services offered by the University, while older student may simply want to brush up on study and time management skills or learn about programs and services for students nearing the end of their degree.

In all, the Mentoring Centre offers a place for students to talk about concerns and problems that they might have in any facet of their lives. While students are able to voice their concerns and problems without fear of judgment, mentors can garner further insight in issues unique to students and find a more practical solution to better improve the services that the Faculty of Social Sciences offers, as well as the services offered by the University of Ottawa.

***Career Services* - <http://www.sass.uottawa.ca/careers/>**

Career Services offers various services and a career development program to enable you to recognize and enhance the employability skills you need in today's world of work.

*Counseling Service*- <http://www.sass.uottawa.ca/personal/>

There are many reasons to take advantage of the Counseling Service. We offer:

- Personal counseling
- Career counseling
- Study skills counseling

***Access Service* - <http://www.sass.uottawa.ca/acces/>**

The Access Service contributes to the creation of an inclusive environment by developing strategies and implementing measures that aim to reduce the barriers to learning for students who have learning disabilities, health, psychiatric or physical conditions.

***Student Resources Centers* - <http://www.communitylife.uottawa.ca/en/resources.php>**

The Student Resources Centers aim to fulfill all sorts of students needs.