



# ST. FRANCIS XAVIER UNIVERSITY

Department of Economics  
Faculty of Arts

## ECON 336: Money and Financial Markets II

Winter 2025

### Description:

In 336 we examine how the central bank can, via monetary policy actions, influence the path of asset prices, output and inflation. Special attention will be given to current policy issues, including the impact of successive interest rate decreases since June 2024 on the economy.

### Lectures:

Wednesday 10:00 – 11:15

Friday 8:30 – 9:45

### Lecture Locations:

Mulroney Hall 4034

### Instructor:

Greg Tkacz, Ph.D.

### Instructor's Office:

Mulroney Hall 3075

### Office Hours:

Monday 10:00 – 11:30

Wednesday 1:00 – 2:00

Friday 10:00 – 12:00

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Profile Page: <https://www.stfx.ca/faculty-staff/greg-tkacz>

### Evaluation:

Assignment (due Wednesday February 12): 20%  
Mid-Term Exam (Wednesday February 28): 30%  
Monetary Policy Report group presentation & participation (March 19, 21, 26, 28, Apr 2): 10%  
Monetary Policy Report, final draft (March 19): 40%

### Drop Date

Students may drop ECON 336 on Banner by **MARCH 5**.

### Learning Objectives:

1. To expand students' knowledge of monetary theory by introducing them to different measures of the money supply and how changes in these can impact the economy and financial markets;
2. To show students how monetary policy is conducted in practice, including the range of issues that confront policy-makers, and the types of data they monitor; and
3. To allow students to make informed contributions to monetary policy and financial stability policy debates and discussions.

### Textbook and Readings:

We will loosely follow some of the chapters from the Mishkin & Serletis textbook. This is an online textbook; you can purchase a code from the StFX bookstore. Some practice problems from this book will be assigned after every chapter.

1. Mishkin, F. and A. Serletis (2023) *The Economics of Money, Banking and Financial Markets*, 8<sup>th</sup> Canadian Edition, Pearson.
2. Bank of Canada *Press Releases* and *Monetary Policy Reports*.
3. We will monitor current economic and financial developments in the media. Links to relevant stories will be provided on Moodle.

### Important Monetary Policy Dates

- Bank of Canada fixed action dates: Jan 29 (+MPR), Mar 12
- FOMC meetings: Jan 29, Mar 19
- GDP data releases: Jan 31 (Nov 2024), Feb 28 (Dec 2024)
- CPI data releases: Jan 21 (Dec 2024), Feb 18 (Jan 2025), **Mar 18 (Feb 2025)**
- LFS data releases: Jan 10 (Dec 2024), Feb 7 (Jan 2025), Mar 7 (Feb 2025)

## Course Outline

### **Weeks 1-3: Monetary Policy Tools and Targets**

We'll explain how the Bank of Canada can implement policy by influencing the money supply and overnight interest rate. This is currently extremely relevant as the Bank conducted "Quantitative Easing" in March 2020 and "Quantitative Tightening" since 2022. How does it work? What are the implications? We'll also explain how monetary policy goals are set every five years in Canada, with the latest update occurring in December 2021.

- Chapter 15: The Money Supply Process
- Chapter 16: Monetary Policy Tools
- Chapter 17: Monetary Policy Targets, Goals and Rules

### **Weeks 4-6: Monetary Theory**

We'll develop a simple model that allows us to track the impact of monetary policy actions on interest rates, output and inflation.

- Chapter 20: Money Demand
- Chapter 23: Aggregate Supply and Demand
- Chapter 25: Money, Rational Expectations and the AS-AD Model

### **Week 7: Reading Week**

### **Weeks 8-10: Current Macroeconomic and Financial Developments**

Using the tools we've developed, we will analyze current financial and economic developments and determine what policy-makers **should** do. This will help students think about the issues that should enter their **Monetary Policy Reports**.

### **Weeks 11-12: Student Presentations**

Groups of four students will draft a **Monetary Policy Report**, a (maximum 20-page) document that:

- Analyzes Canadian and international economic developments
  - Analyzes Canadian and international financial developments
  - Based on all available information, predicts what will happen to the economy and financial markets over the next 24 months;
  - Identify potential RISKS (economic, financial, political, social, environmental, etc.) that could impact your prediction above; and
  - Provides specific advice to the Governor of the Bank of Canada (i.e. ME) regarding monetary policy actions (e.g. should the overnight rate increase, decrease, or stay the same? When should it change? etc.)
- All groups will have 20 minutes to present the above to the whole class, with 5 minutes available for Q&A.