

# **A Short Course in Monetary Theory and Policy**

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This course is designed to introduce the student to a set of core principles related to the theory of money and the conduct of monetary (and fiscal) policy. The course begins by describing the key role that private and central banks play in determining the money supply. We then develop a basic theoretical framework designed to explain the use of exchange media (money and government debt). The theory is used to assess questions relating to the sustainability of primary budget deficits and the debt-to-GDP ratio. We conclude by exploring what our modeling framework has to say about the effects of monetary policy under different fiscal regimes. All our analysis will be applied toward understanding and interpreting historical and contemporaneous events.

## **Lecture 1. Banking and the supply of money**

(a) The money supply:

[https://drive.google.com/file/d/16lDZBw26YPjH2LQ5ig0HXMf7pTO6LKJ7/view?usp=share\\_link](https://drive.google.com/file/d/16lDZBw26YPjH2LQ5ig0HXMf7pTO6LKJ7/view?usp=share_link)

(b) The theory of money:

<https://drive.google.com/file/d/11DoI20tu9iw1lEmk5QjcPHrzHCWwwAAp/view>

(c) Money creation in the modern economy (Bank of England):

<https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy>

(d) Silicon Valley Bank (Interview with G. Selgin)

<https://hamodia.com/2023/03/22/interview-back-to-adam-smith/>

## **Lecture 2. Money demand**

(a) The demand for money:

[https://drive.google.com/file/d/17x\\_F-J8APQaKe0S7k38UhbJLsS2H9ioG/view?usp=share\\_link](https://drive.google.com/file/d/17x_F-J8APQaKe0S7k38UhbJLsS2H9ioG/view?usp=share_link)

(b) The overlapping generations model

[https://drive.google.com/file/d/1Rqs5o01\\_eO7iiHJIRgIHNSHCbq9oSh\\_x/view?usp=share\\_link](https://drive.google.com/file/d/1Rqs5o01_eO7iiHJIRgIHNSHCbq9oSh_x/view?usp=share_link)

## **Lecture 3. Sustainable Deficits and the National Debt**

(a) The national debt: [https://drive.google.com/file/d/1ULMDRCVIL-tADNT2-BC5bTulFuOtYS5o/view?usp=share\\_link](https://drive.google.com/file/d/1ULMDRCVIL-tADNT2-BC5bTulFuOtYS5o/view?usp=share_link)

(b) Sustainable deficits and the limits to seigniorage:

<https://drive.google.com/file/d/1CSSPWLZADUDyTm1Z9WoepWDuj0CwRUfy/view?usp=sharing>

(c) Is Canada's National Debt a Cause for Concern?

<https://financesofthenation.ca/2020/10/28/is-canadas-federal-debt-a-cause-for-concern/>

## **Lecture 4. Monetary and Fiscal Policy Coordination**

(a) Monetary and fiscal policy coordination:

[https://drive.google.com/file/d/1994Qxyid7BSvrBfNLiV2cyAQb9S9w5sB/view?usp=share\\_link](https://drive.google.com/file/d/1994Qxyid7BSvrBfNLiV2cyAQb9S9w5sB/view?usp=share_link)