

Project One: The Framework of Monetary Policy in Canada

Prepare a 1500-1750 word policy position paper for an informed but non-technical audience outlining a revision to the 2021 Renewal of the [Monetary Policy Framework](#), the agreement between the Government of Canada and the Bank of Canada for the objectives and operation of monetary policy.

By an informed non-technical audience, think of a report for civil servants and elected officials.

Note that in contrast to previous years, the 2021 renewal introduces some additional language on the need for flexibility in certain instances, and communications around flexibility. You are welcome to explore revisions that address these parts of the renewal.

To identify an interesting revision, I suggest you do one or more of the following: (1) explore the existing monetary policy literature; (2) examine monetary policy arrangements at other central banks; (3) examine work done at the Bank of Canada on changes to the framework.

Your revision to the current policy framework must meet the following general criteria:

- Be grounded in reality;
- Be set within the existing inflation-targeting framework;
- Revise some part of the existing framework;
- Be practical;
- Have a clearly stated objective.

An obvious — and acceptable — revision would be a specific change in the inflation target; say from 1–3 percent target band to some other target band. Other possibilities:

- Different measure of inflation;
- Different target variable;
- Different time horizon;
- Different communication requirements.

Your position paper should have the following parts:

- A clear statement of your proposed policy similar to the statement of the current inflation targeting policy. It must be very explicit and provide sufficient guidance to the Bank of Canada to implement the policy.
- A clear statement of the objective of the proposed policy and how the policy will achieve the objective.
- A summary of the supporting arguments for the policy including appropriate references to literature.
- References

Grading for the paper is as follows:

- Proposed policy, 15%
- Quality of statement of policy, 25%
- Quality of statement of policy objective, 25%
- Supporting arguments, 25%
- Quality of writing, presentation, and references. 10%

The paper must be a word processed, generated (not scanned) pdf file and is due on **28 October at 4:30pm**.

[Not 19 February as originally posted.]

Late papers will be penalized by 15% per calendar day.

While I am relatively flexible about style, there are some requirements. First, citations and references are to be done following the *APA Style*. Second, please use Canadian spelling, as per the *Canadian Oxford Dictionary*.

These resources are available online. One link for APA is [APA Style Guidelines](#).