



Department of Economics and Finance

ECON*3960
Money, Credit and The Financial System
Winter 2014



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It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

https://dev.web.uoguelph.ca/economics_d7/important-notice-about-students-responsibilities-and-university-policies

COURSE OUTLINE

The objectives of this course are to develop a better understanding of the Canadian financial system as it concerns the nature and role of the payments system and credit markets and the financial institutions and arrangements which facilitate their operation. Overall the course offers a comprehensive examination of the Canadian monetary and financial system: its theoretical foundations, structure, institutions and operations.

REQUIRED TEXTBOOK:

Frederic S. Mishkin, Apostolos Serietis, The Economics of Money Banking and Financial Markets, Pearson, 5th Edition.

METHOD OF EVALUATION:

3 Quizzes, take the best 2 out of 3: Jan 31 st , Feb 28 th , Mar. 28 th	25% each
Note: The first missed quiz (for any reason) will automatically be the quiz dropped. If a student misses 2 quizzes (both with appropriate documentation) a make up exam will be rescheduled otherwise the weight will be shifted to the final.	
In class quizzes when we have a guest speaker –dates on Courselink (The weight of a missed quiz will be added to the final.)	10%
Final exam: April 16th, 11:30am	40%
Total	100 %

GUIDE TO TOPICS

We will cover chapters 1 to 18 and chapter 21 in the textbook. (Supplementary readings will be recommended.)

Note: Some of this material will be assigned but not taught in class.

The Department of Economics and Finance *Learning Objectives (skills and knowledge competencies)* for this course:

Skills:

- a) **Written communication**—each test will have a take-home short answer essay question you will prepare in order to write the test. It will be graded with the usual essay writing criteria except for the requirement of a bibliography.
- b) **Numerical problem solving**—NPV *analysis* and various methods of risk *analysis* used by banks.
- c) **Problem solving in a real world context**—all of our guest speakers give real world examples pertaining to the financial sector. You will **apply** the economic models learned in this course to the stories they tell. Furthermore, you will **explain (using graphs)** various scenarios on every test. Special attention will be placed on the recent financial crisis of 2008/2009.

Knowledge:

- a) **Microeconomic modelling: Apply** inter-temporal substitution indifference curve analysis, the supply and demand framework for the bond and loanable funds markets, term structure of interest rates, futures and option pricing, issues of asymmetric information
- b) **Macroeconomic modelling: Analyze** money creation and money multipliers, Bank of Canada governance and activities (especially through the LVTS), the liquidity preference model, the quantity theory of money
- c) **Specific markets: Understand** the institutions and workings of the money, bond, credit (including mortgages), and financial derivatives markets
- d) **Historical context: Create** an essay which will address some issue from an historical perspective.
- e) **Economic Policy: Understand** the role of regulation and regulators (ex OFSI, CSC, CDIC) in the financial system
- f) **Asset pricing and risk analysis: Analyze** bond, mortgages and derivative valuations. **Understand** the means central banks and commercial banks use to mitigate risk, specifically the risk due to asymmetric information

Please Note: You will be asked to complete an evaluation of this course during the last two weeks of the semester. The Department of Economic Policy regarding the conduct and use of these evaluations will be found at:

<https://www.uoguelph.ca/economics/course-evaluation>