



ECON*3960
Money, Credit and the Financial System
Winter 2015 Credit Weight 0.50

General Course Information

Instructor: Evie Adomait
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Office Location MacKinnon 728, Ext. 56343
Office Hours On Courselink
Department/School Department of Economics and Finance

TA's TBA
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Office Location MacKinnon 728
Office Hours Posted on Courselink

Class Schedule: MWF – 4:30-5:20pm ALEX 100

Pre-requisites: ECON*2410, 1 of ECON*2560, ECON*3560, REAL*2820

Co-requisites: N/A

Course Description

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.

Course Assessment

			Associated Learning Outcomes	Due Date/ location
Assessment 1:	<i>25% each</i>	<i>3 Quizzes, take the best 2 out of 3</i>		<i>Jan. 30th, Feb. 27th, Mar. 20th</i> 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
Assessment 2:	<i>10%</i>	<i>Weekly Quizzes</i>		In-class every Friday and on days with Guest speakers.
Assessment 3:	<i>40%</i>	<i>Final Exam</i>		Date: April 9 th , 2015, 7-9pm Location: TBA
Total	<i>100%</i>			

Course Resources

Required Texts:

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

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.

Course Policies

Grading Policies

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds-proc.shtml>

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic Consideration: <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible.

For more information, contact SAS at 519-824-4120 ext. 56208 or email csd@uoguelph.ca or see the website: <http://www.csd.uoguelph.ca/csd/>

Course Evaluation Information

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

Drop date

The last date to drop one-semester courses, without academic penalty, is March 6th, 2015. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Course Learning Outcomes

Skills

- 1) *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.
- 2) *Numerical problem solving*—NPV analysis and various methods of risk analysis used by banks.
- 3) *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

- 1) **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.
- 2) **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.
- 3) **Specific markets:** Understand the institutions and workings of the money, bond, credit (including mortgages), and financial derivatives markets.
- 4) **Historical context:** Create an essay which will address some issue from an historical perspective.
- 5) **Economic Policy:** Understand the role of regulation and regulators (ex OFSI, CSC, CDIC) in the financial system.
- 6) **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.