Course Syllabus

Department of Economics

ECONOMICS 305
Money and Banking
Fall 2017

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Office: BEC 388
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Class Information

Lecture time: Tue, Wed, Fri; 1:30 pm-2:20 pm.
Location: DSB, Room C118.
Office Hours: Tue 3:30 pm-4:30 pm, Wed 3:30pm-4:30 pm, or by appointment.
Teaching Assistants: TBA

Description: This course is an introduction to monetary and financial economics with special reference to the Canadian economy. The aim is further your understanding of the role of financial assets and institutions and how they affect the economy.

This is a challenging course! -- it covers micro money and banking and macro modelling and policy. This involves learning different types of models and theories as well as lots of institutional facts. If you work hard in this course you will be rewarded with a foundation for understanding key connections between the study of monetary theory and policy (ECON 104, 204, 306, 406), corporate finance (COM 240, ECON 454), industrial organization (ECON 310A), and asset pricing (ECON 435).


The text is available in the UVic Bookstore and comes wrapped with MyEconLab. We will use MyEconLab so you’ll need to access it if you buy the text separately; it should be available from the
bookstore and the Pearson website (search for the text and look for eLearning & Assessment to purchase it.)

**Grading:** Your final grade will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>MyEconLab</td>
<td>10%</td>
<td>usually weekly (starting 2nd week)</td>
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<tr>
<td>Assignments</td>
<td>10%</td>
<td>periodically</td>
</tr>
<tr>
<td>Midterm 1</td>
<td>20%</td>
<td>Oct. 11th 5:30 pm-6:20 pm, Location TBA</td>
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<tr>
<td>Midterm 2</td>
<td>20%</td>
<td>Nov. 10th, 5:30 pm-6:20 pm, Location TBA</td>
</tr>
<tr>
<td>Final examination</td>
<td>40%&lt;sup&gt;1&lt;/sup&gt;(60%)</td>
<td>official exam schedule (to be posted)</td>
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<td></td>
<td>100%</td>
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Make-up midterms will not be given. If you do better on the final exam than your worst midterm, I will shift the weight from that midterm to the final (in which case the final exam will have weight of 60%). The Final is cumulative covers material from the entire course. The majority of weight is on multiple choice questions but also long analytical questions like those on the midterms.

The MyEconLab chapter quizzes offer ongoing review. The first set of MyEconLab (MEL) chapter quizzes is **due on Friday September 6:00pm**. Subsequent chapter quizzes are usually due on Fridays at 6:00pm. You are responsible for tracking and identifying any problems with your completing the assignments on time. I will drop your lowest chapter mark (evaluated as a percentage) and allow you to replace the next two lowest marks by doing an extra 2 chapter quizzes. Thus, you have 3 chances to recover. It is easy to do well on MEL quizzes. **Warning** – quickly reviewing the MEL quizzes is not sufficient to do well on the exam multiple-choice questions!

<table>
<thead>
<tr>
<th>Course letter grade</th>
<th>Numerical score (%)</th>
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<tbody>
<tr>
<td>A+</td>
<td>90-100</td>
</tr>
<tr>
<td>A</td>
<td>85-89</td>
</tr>
<tr>
<td>A-</td>
<td>80-84</td>
</tr>
<tr>
<td>B+</td>
<td>77-79</td>
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<tr>
<td>B</td>
<td>73-76</td>
</tr>
<tr>
<td>B-</td>
<td>70-72</td>
</tr>
<tr>
<td>C+</td>
<td>65-69</td>
</tr>
<tr>
<td>C</td>
<td>60-64</td>
</tr>
<tr>
<td>D</td>
<td>50-59</td>
</tr>
<tr>
<td>F or N</td>
<td>0-49</td>
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</tbody>
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**Policies:**

**Department policies** regarding academic integrity, attendance, grading, academic concessions, travel plans, students with a disability, and inclusivity and diversity, are detailed at: [http://www.uvic.ca/socialsciences/economics/undergraduate/home/courses/course-policies.php](http://www.uvic.ca/socialsciences/economics/undergraduate/home/courses/course-policies.php).

**Adds/Drops.** Students are responsible for checking their own records and registration status. For important dates please see [http://web.uvic.ca/calendar2016-09/general/dates.html](http://web.uvic.ca/calendar2016-09/general/dates.html).
Examinations:
1. Student I.D. will be required.
2. Calculators are allowed, including financial calculators; no other electronic devices including cell phones are allowed.
3. You may be allowed a short handwritten crib sheet for exams; details to follow.
4. Dictionaries are not permitted, except with the prior approval of the instructor.

Academic Concession. Consideration for missed midterms or other tested material will be given only on the basis of documented illness, accident or family affliction, and for no other reasons. If you miss a midterm without providing documentation within 7 days, I will assume that you simply chose not to write the midterm. Only with documentation given for both midterms will I provide a make-up exam for the 2nd midterm (the weight for the 1st midterm goes on the final). In the event of a missed final exam, students are advised to follow the procedures in the University Calendar, http://web.uvic.ca/calendar2016-09/undergrad/info/regulations/exams.html#.

Courtesy. Please try to make it to class on time, and I'll endeavor to not run over time by more than a minute. Those who are late more than twice without prior consultation with me may be asked to leave the class. If you need to leave the class early, please mention it to me and sit by an aisle towards the back.

Electronic devices. Since the evidence points to laptops being a very substantial negative externality for others, I ask that laptop/tablet users to please sit in the back 3 rows. Those not wanting to be distracted should sit towards the front of the room.

E-mail correspondence. Emails should be limited to critical matters, such as inability to attend exams, or prolonged illness, and should include the course name and number in the subject line. Questions on course material should be asked during office hours or in class.

The standard format for writing a letter must be used. This means it should start off with a salutation (e.g. Dear….), include full sentences and conclude with a signature that includes your name (e.g. “Sincerely, your full name). Text message lingo should not be used.

Course Experience Survey (CES). I value your feedback on this course. Towards the end of term, you will have the opportunity to anonymously complete the CES. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future.

If you do not receive an email invitation to complete the CES, you can go directly to http://ces.uvic.ca. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.
1. What strengths did your instructor demonstrate that helped you learn in this course?
2. Please provide specific suggestions as to how the instructor could have helped you learn more effectively.
3. Please provide specific suggestions as to how this course could be improved.”
SYLLABUS

The following outline of topics and readings is tentative. Please refer to CourseSpaces for updated topics and readings. Chapter references refer to the textbook. Other notes and references will be posted on the CourseSpaces as the term progresses.

Part 1 Money
1. Evolution of Money (handout); History of the Canadian Dollar
2. What is Money? (Ch. 3)
3. Why Study ... (Ch. 1; Why Study Money and Monetary Policy)

Part 2 Financial Markets
1. Why Study … (Ch. 1 up to: Why Study Money and Monetary Policy)
2. An Overview … (Ch.2 up to: Function of Financial Intermediates: Indirect Finance)
3. The Meaning of Interest Rates  (Ch. 4);
4. The Behaviour of Interest Rates (Ch. 5)
5. The Risk and Term Structure of Interest Rates  (Ch. 6);
6. Stock Prices and Discounted Dividend Model (Ch. 7)

Parts 3&4 Financial Institutions, and The Management of Financial Institutions
1. An Overview … (Ch.2; from Function of Financial Intermediates …)
2. An Economic Analysis of Financial Structure (Ch.8)
3. Banking and the Management of Financial Institutions (Ch. 13)
4. Financial Crisis (Ch.9)[Optional]

Part 5 Central Banking and the Conduct of Monetary Policy
1. Central Banks and the Bank of Canada (Ch. 14)
2. The Money Supply Process (Ch. 15)
3. Tools of Monetary Policy (Ch. 16)
4. The Conduct of Monetary Policy: Strategy and Tactics (Ch. 17)

Part 6 Monetary Theory (and Financial Crisis)
1. Quantity Theory, Inflation and the Demand for Money (Ch. 20)
   Aggregate Output, the Price Level, and Inflation (Ref. Ch. 1 Appendix);
   Money, Inflation and the Quantity Theory of Money (Ref. Ch. 20)
   The Foreign Exchange Market (Ch 18, p. 461-466)
2. Financial Crisis (Ch.9); Financial 9/11? )[Optional]