



## Econ 305 - Money and Banking

**Course outline, Fall 2022** (last updated: 6 September 2022)

**ECON 305 A02 | CRN 11161 | TWF 12:30 – 13:20 in BWC A104**

**Instructor: Dr. Olha Yermolenko, BEC 320**

### Office Hours:

- Wednesdays 1:45 – 2:30 pm (in-person in BEC 320)
- Fridays 1:45 – 2:30 pm (“meet up” at the Zoom chat)
- By appointment (Email to propose **three** 15-minute slots for a call through *Zoom* or an in-person meeting. Feel free to invite fellow students to join you).

### Course Content

This course is an introduction to banking and finance with attention to the fascinating topic of central banking as well. Broadly speaking the aim is to further your understanding of the roles of financial assets, institutions, and markets and how they affect people, companies and the economy as a whole. We will pay special attention to Canadian institutions.

This is a challenging course! It covers money, banking, and financial markets. This involves learning different types of models and theories, as well as institutional facts. Working hard in this course will build a foundation for understanding key connections between several topics: monetary theory and policy (ECON 104, 204, 406), corporate finance (COM 240, ECON 454), industrial organization (Econ 310A), and asset pricing (ECON 435).

### Classes

The lectures, tutorial sessions and tests for this class will therefore normally take place in-person and during the lecture slot. Your attendance in class is expected (and active participation is much appreciated!) I will likely monitor class attendance, at least from time to time. Yet, this is really just for me to learn to what extent attendance matters and the gauge whether students are on track: attendance will not gain you any marks and missing classes will not cost you any marks. If you miss a class then there is no need to let me know.

Lectures will normally *not* be recorded, but I will post the lecture slides, either before or after the lectures.<sup>1</sup> I will not re-teach any classes that you may have missed or give anybody any class highlights, even if you missed class for a valid reason.

The above rules describe the plan at the outset. But, health advisories, guidelines, and new insights, require us to be flexible and open to change. Also, where individual students face undue hardship because of the above course rules, then please do send me an email! I cannot promise to be able to solve your issue, but even if not, I can pass on your feedback to others at UVic. I encourage that students study in groups, be it online, in-person, or a combination. It really helps, and you will have a support group in case you need to miss a class. If you find it hard to connect up with class mates, then please do email me in the first or second week. I would be happy to try to match you to interested fellow students.

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<sup>1</sup> These lecture slides will certainly help you, but they are, as you are aware, still a poor substitute for attending classes.

## **COVID Protocols**

- If you will miss class due to a confirmed or suspected case of COVID-19, please contact me as soon as possible via email. This information will only be shared with a university COVID case coordinator who will ensure your privacy as they follow public health guidelines in their communication with you. Please consult the university Health and Safety webpage for detailed information about what to do if you suspect you are ill with COVID-19. <https://www.uvic.ca/return-to-campus/health-safety/index.php#ipn-what-to-do-if-you-are-ill>.

- Instructors are permitted to remove their mask while lecturing, provided they are able to maintain a safe social distance of 2 meters. If and when it is safe to do so, I will remove my mask during lectures.

- If directed to do so by the university/public health office, the course may be required to shift to online delivery. Brightspace will become the primary mechanism for updates in this case.

## **Course schedule and “keeping up”**

The last page of this course outline shows the *course schedule*. It refers to the list of *course topics* just prior to it. The course schedule and the course topics may be updated as we proceed. Any updates will be posted through Brightspace.

The course schedule stipulates the contents per session. I expect you to have studied the materials prior to the start of each class. This holds for the designated exercises as well: a discussion regarding exercises is by far the most fruitful if you have tried solving them by yourself first. Yet, the exercises can be quite tough, especially if you do them by yourself. Again, please work in groups!

The course schedule indicates the material clearly, but our classes may not cover the material comprehensively. You should not infer that omitted topics in lectures are not important. They may be “easy” and/or I may believe they are better mastered by self-study, for example. It is your task as a student to figure out what parts of the material are more relevant than others. I am of course available to you with questions you may have regarding this. Also, I will leave study hints in the slides and will produce study guides for several chapters to help you.

MyLab will be used as an important tool to keep up with the material. I view “keeping up with the material” as a solid start for studying the material.

## **Communication**

*Brightspace* is used extensively for the course for readings, announcements, lecture notes, etc. All students are expected to be fully functional with the system and to log in daily or more frequently. Ask questions about content ideally through Brightspace (or by email). This way your fellow class mates benefit from your questions as well.

*Emails.* My email address is [olhayermolenko@uvic.ca](mailto:olhayermolenko@uvic.ca). Use emails for short questions, notices, or to book an office hour. Emails (i) must have logical subject headers that start with “Econ 305” and (ii) include your name and student number in the body of the message. The expectation is that correctly-sent emails are answered within 24 hours (both by the student and the teacher). I may miss incorrectly sent emails.

The Friday office hour (see above) will take place through *Zoom*. If you cannot meet me during the Wednesday or Friday office hours, then book an in-person or online office hour by email. In your email propose **three** or more 15-minute slots and indicate whether you prefer in person or online. Online meetings will be done through Zoom as well. Feel free to invite fellow students to your booked slot.

Grading concerns. Analysing how your answers got graded is very useful! Email me asap in case you should have any questions or concerns regarding how a test got graded. I really don't mind and even appreciate it! Your email should make very clear whether you have a question or a concern. All grading

concerns should normally be initiated, and ideally dealt with, no later than a week after the tests were returned. After one week your grade is final.

### **Textbook**

Required Textbook: Mishkin, F.S. and A. Serletis, The Economics of Money, Banking, and Financial Markets, 8th Canadian edition, Pearson Education Canada Inc., Toronto, 2022 **with MyLab**

Buy the textbook plus MyLab in-person or online through the UVic Bookstore (please not through the publisher).

[If you have the 7<sup>th</sup> edition, you will still need to buy access to MyLab. While new editions of the textbook are usually not drastically different, the page numbers, exercises, etc. are based on the 8<sup>th</sup> edition. When you use the 7<sup>th</sup> edition it is up to you to figure out the differences and be responsible for possible omissions/changes.]

### **Assessment**

Your final grade will be determined as follows:

MyLab	10%	Dates of quizzes and DSMs are found on MyLab
Six Tests: 6 x 15% =	90%	Details and dates are below

Students who have completed **at least five of the six 15% tests will be considered to have completed the course**. Failure to complete fewer than five of them will result in a grade of “N” regardless of the cumulative percentage on the course. N is a failing grade and factors into GPA as a value of 0.

The **MyLab** quizzes promote ongoing (p) review. They come in two types, and both count towards your 10% grade:

1. Dynamic study modules (“DSMs”) are formative tests that are meant to help you come to class prepared. They are typically due by 11am of the day of classes. Indeed, the DSMs are normally due before we start discussing a certain Chapter in class. Some of the DSMs are mandatory, while some are optional. Optional DSMs are clearly marked as such in the title of the respective DSM. *(FYI, the MyLab system will not be able to see the difference between optional and mandatory, but I will and I guarantee that “optional” means that it does not count towards your MyLab grade, not even for bonus marks.)*
2. MyLab chapter quizzes. The first is due by **Friday September 15 at 9:00 pm**. Subsequent chapter quizzes are usually due by Fridays at 9:00 pm.

Note that the MyLab DSMs and quizzes are generally not sufficient to do well on the six tests of this course counts. They help you acquire basic knowledge and to stay on track. The six tests require carefully studying of the notes and the end-of-chapter exercises listed in the course schedule (including those that are not discussed in class)

Managing the deadlines of the MyLab quizzes requires work and commitment and I am not helping you with this. If you miss any quiz you will receive a zero on that quiz with no exceptions. You are responsible for keeping track of the deadlines and identifying any problems with your completing the assignments on time. Starting earlier than just before the deadline is an awesome strategy! The only accommodation for any missed MyLab marks is that I will allow you to miss “a few” of them, because you may be ill at times, or there is a glitch in your internet connections, travel, etc. Think of it this way: even if you miss 10% of the maximum possible marks on MyLab, then you will still get a 100% on this course component.<sup>2</sup>

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<sup>2</sup> **Reviewing MyLab quizzes after their due dates is only possible if you have attempted them by the due date. By contrast, DSMs can always be accessed, even after they are due.**

All **six tests** carry an equal weight of 15% towards your course grade

- You must normally have attempted at least one of the first two tests by October 12 in order to be eligible to write subsequent tests.
- Make-up midterms and quizzes are not a right, but students with a valid reason for missing a test, and who have communicated this to me correctly and in time (see “Communication”), may be given an opportunity to write a retake test, normally right after the Test 6. [For Test 2 things may be different.]

Test	Date	Topics Covered
Test 1	Sep 16, 2022	See course schedule
Test 2	Oct 12, 2022	See course schedule
Test 3	Oct 26, 2022	See course schedule
Test 4	Nov 16, 2022	See course schedule
Test 5	Nov 30, 2022	See course schedule
Test 6	During final exam period	See course schedule

#### Grading Scale for the grade on Econ 305:

A+	A	A-	B+	B	B-	C+	C	D	F or N
90-100	85-89	80-84	77-79	73-76	70-72	65-69	60-64	50-59	0-49

#### Interpretation of Grades:

Passing Grades	Description
A+ A A-	<b>Exceptional, outstanding and excellent</b> performance. These grades indicate a student who is self-initiating, exceeds expectation and has an insightful grasp of the subject matter.
B+ B B-	<b>Very good, good and solid</b> performance. These grades indicate a good grasp of the subject matter or excellent grasp in one area balanced with satisfactory grasp in the other area.
C+ C	<b>Satisfactory, or minimally satisfactory.</b> These grades indicate a satisfactory performance and knowledge of the subject matter.
D	<b>Marginal</b> Performance. A student receiving this grade demonstrated a superficial grasp of the subject matter.
Failing Grades	Description
F	<b>Unsatisfactory</b> performance. Wrote final examination and completed course requirements.
N	<b>Did not</b> write examination or complete course requirements by the end of the term.

#### Possible accommodation for tests

Consideration for missed examinations may be given **on the basis of a timely and correctly reported valid reason**, including illness, an accident or a family affliction. If you miss one of the tests for a valid reason then I require that **you let me know by the time of the test** at the very latest. **Failure to do so on time will typically preclude any possible academic concession.** **How to let me know?** In case you believe you may have a valid reason for missing a test, then (i) contact me by email (see “emails” above for how to send emails) no later than by the time of the test and (ii) explaining the reason. (iii) In your email include a phone number I can reach you at, please, and suggest three possible 15-minute

meeting slots (just in case). If you are late to let me know, then also provide (iv) a valid reason why you were delayed to let me know.

### **Adding/dropping classes and Waitlist Policies** (applicable to waitlisted and non-waitlisted students)

In Fall 2022 the last add/drop date is Friday September 23. After this date the waitlist, if any, will be “purged” and you cannot add the course anymore. Note that instructors have no discretion to admit waitlisted students or raise the cap on the course. Waitlist policies:

- Students on the waitlist should participate as any other student in the course, including attending classes.
- Registered students who do not show up for class will *not* be dropped automatically from Econ 305. Students are responsible for checking their own records and registration status.
- Registered students who decide not to take the course are urged to drop the course promptly out of courtesy toward waitlisted students.
- Waitlist offers cease after the last add/drop date, irrespective of published waitlists.

### **Course Experience Survey (CES)**

I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. 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.

When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to the [CES log-in](#). You will use your UVic NetLink ID to access the survey, which can be completed on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

- What strengths did your instructor demonstrate that helped you learn in this course?
- Please provide specific suggestions as to how the instructor could have helped you learn more effectively.
- Please provide specific suggestions as to how this course could be improved.

### **Course and UVic Policies**

This course adheres to the [Undergraduate Course Policies](#) of the Department of Economics that deal with the following issues:

- Academic concessions
- Academic integrity (plagiarism and cheating)
- Attendance
- Grading
- Inclusivity and diversity
- Late adds
- Late assignments
- Repeating courses
- Review of an assigned grade
- Sexualized violence prevention and response
- Students with a disability
- Term assignments and debarment from examinations
- Travel plans
- Waitlists

Let me include some important general UVic and ECON policies explicitly in our outline:

### Academic Integrity

Academic integrity requires commitment to the values of honesty, trust, fairness, respect, and responsibility. Students are expected to observe the same standards of scholarly integrity as their academic and professional counterparts. A student who is found to have engaged in unethical academic behaviour, including the practices described in the [Policy on Academic Integrity](#) in the University Calendar, is subject to penalty by the University. Make absolutely sure to check this Policy on Academic Integrity and review [What is Plagiarism](#) for the definition of plagiarism. Note: Submitted work may be checked using plagiarism detection software. The policy of the ECON department is that you are asked to sign a pledge of integrity prior to each exam/assignment that you undertake online.

### University Policy on Human Rights, Equity and Fairness

The University is committed to promoting, providing and protecting a positive, supportive and safe learning and working environment for all its members. See [General University Policies](#)

### Sexualized Violence Prevention & Response

UVic takes sexualized violence seriously, and has raised the bar for what is considered acceptable behaviour. Students are encouraged to learn more about how the university defines sexualized violence and its overall approach by visiting [www.uvic.ca/svp](http://www.uvic.ca/svp). If you or someone you know has been impacted by sexualized violence and needs information, advice, and/or support please contact the sexualized violence resource office in Equity and Human Rights (EQHR). Contact [svpcoordinator@uvic.ca](mailto:svpcoordinator@uvic.ca).

### Repeating Courses

Be aware of the policy regarding the repeating of courses; see [here](#) for more information.

### **Accessibility & Health Resources**

#### Centre for Accessible Learning

Students with diverse learning styles and needs are welcome in this course. In particular, if you have a disability/health consideration that may require accommodations, you are free to approach me; however, you must register with the [Centre for Accessible Learning](#) (CAL) for formal arrangements to be made. The CAL staff are available by appointment to assess specific needs, provide referrals and arrange appropriate accommodations. The sooner you let us know your needs the quicker we can assist you in achieving your learning goals in this course.

[Health Services](#) - University Health Services (UHS) provides a full service primary health clinic for students, and coordinates healthy student and campus initiatives.

[Counselling Services](#) - Counselling Services can help you make the most of your university experience. They offer free professional, confidential, inclusive support to currently registered UVic students.

[Elders' Voices](#) - The Office of Indigenous Academic and Community Engagement (IACE) has the privilege of assembling a group of Elders from local communities to guide students, staff, faculty and administration in Indigenous ways of knowing and being.

### **Educational Technology involving storage outside Canada**

MyLab, which we use in this course, requires and stores personal information of students outside Canada. Personal information is required by the service.

If you are not comfortable with your personal information being stored outside of Canada, or you are not sure, please contact me in the first week of class about using an alternative, which is possible (such as using an alias or nickname). Otherwise, by continuing in this course, you agree to the use of the educational technology in the course and the storage of personal information outside of Canada.

## **Course Topics and Course Schedule**

The following outline of the course topics, the readings, and the schedule are tentative. Any updates will be posted on Brightspace. Chapter references refer to our textbook.

### **Part A Course Overview & the Concept of Money [Part 1 in text]**

1. Why Study Money, Banking and Financial Markets (Ch.1)
2. *Evolution of Money & History of the Canadian Dollar* (Brightspace “handout”)
3. What is Money? (Ch.3)

### **Part B Financial Markets [Part 2 in text]**

1. Review: Why Study Financial Markets (Ch.1, pp 2-4)
2. Financial Markets Overview (Ch.2, pp. 22-34 & exercises)
3. Understanding Interest Rates (Ch.4)
4. The Behaviour of Interest Rates (Ch.5)
5. The Stock Markets, the Theory of Rational Expectations, and the Efficient Market Hypothesis (Ch.7) & Grossman and Stiglitz (1981), pp. 393-395, 404-405 [journal article]

### **Part C Financial Institutions [from Parts 3 and 4 in text]**

1. Financial Institutions Overview (Ch.2, pp. 34-45 & exercises)
2. Asymmetric information primer (for understanding Ch.8, Ch.11, and Ch.12)
3. An Economic Analysis of Financial Structure (Ch.8)
4. The Management of Banks (Ch. 12)

### **Part D Financial Crises and Regulation [from Parts 3 and 4 in text]**

1. Financial Crisis (Ch.11)
2. *Financial Crises and Economic Crises* (Brightspace “handout”)
3. Regulation (Parts of Ch.9)
4. Macro-prudential regulation (TBC)

### **Part E Central Banking and the Conduct of Monetary Policy [Part 5 in text]**

1. Central Banks and the Bank of Canada (Ch. 14)
2. The Money Supply Process (Ch. 15)
3. Tools of Monetary Policy (Ch. 16)

### **Part F Broader Perspectives on Money and Financial Markets**

1. Review: The Function of Financial Markets (Ch.2 pp. 22-24)
2. Review: Moral Hazard in Financial Markets (Ch.8, pp. 180-189)
3. Rajan and Zingales (2003) [article]
4. Greenwood and Scharfstein (2013) [journal article]

Date	Session	Topic	Note:	Exercises (8 <sup>th</sup> edition)
7-Sep	1	Course Overview + Part A.1 (Ch.1)		
9-Sep	2	Part A.3 (Ch.3)		
13-Sep	3	Part A.2 Exercises Ch.1 and Ch.3	Tutorial Sessions	Ch.1: 9-13; Ch.3: 2,3, 5-7, 11-13,16-18
14-Sep	4	Parts B.1 & B.2 (Ch.2)		
16-Sep	5	<b>Test 1</b>	<b>Test 1 covers Parts A, B1, B2</b>	
20-Sep	6	Exercises Ch.2	Tutorial Sessions	Ch. 2: 4, 8, 24
21-Sep	7	Part B.3 (Ch.4)		
23-Sep	8	Part B.4 (Ch.5)		
27-Sep	9	Part B.3 Exercises Ch.4	Tutorial Sessions	Ch.4: 1,2, 4, 7, 9-16, 18-22, 24
28-Sep	10	Part B.5 (Ch.7)		
30-Sep			No class: National Day for Truth and Reconciliation	
4-Oct	11	Part B.4 Exercises Ch.5	Tutorial Sessions	Ch.5: 8-12, 15, 18, 19, 21, 22, 25
5-Oct	12	Part B.5 (Ch.7)		
7-Oct	13	Parts C.1&C.2		
11-Oct	14	Exercises Part C.1, Ch.7	Tutorial Sessions	Ch.7: 3, 6, 8-11, 13, 15, 16, 20, 22-25
12-Oct	15	<b>Test 2</b>	<b>Test 2 covers Part B</b>	
14-Oct	16	Part C.3 (Ch.8)		
18-Oct	17	Part C.3 Exercises Ch.8	Tutorial Sessions	Ch.8:2, 4, 6, 8-10, 14, 16, 20, 21
19-Oct	18	Part C.4 (Ch.12)		
21-Oct	19	Part C.4 (Ch.12)		
25-Oct	20	Exercises Ch.12	Tutorial Sessions	Ch.12: 2, 5, 7, 8, 10, 16,19, 20, 26, 27
26-Oct	21	<b>Test 3</b>	<b>Test 3 covers Part C</b>	
28-Oct	22	Part D.1(Ch.11)		
1-Nov	23	Part D.2 Exercises Ch.11	Tutorial Sessions	Ch.11: 2-11, 15-16, 20-23
2-Nov	24	Part D.3 (Ch.9)		
4-Nov	25	Part D.4	Macro-prudential regulation	
8-Nov	26	Exercises Ch.9	Tutorial Sessions	Ch.9: 1-4, 6-11, 14, 17, 18
9-Nov			No class: Reading Break	
11-Nov			No class: Reading Break	
15-Nov	27	Part E.1 (Ch.14) Exercises Ch.14	Tutorial Sessions	Ch.14: 1-5, 7-9, 11-15, 18
16-Nov	28	<b>Test 4</b>	<b>Test 4 covers Parts D and E.1</b>	
18-Nov	29	Part E.2 (Ch.15)		
22-Nov	30	Part E.2 Exercises Ch.15	Tutorial Sessions	Ch.15: 1-12, 16-21
23-Nov	31	Part E.3 (Ch.16)		
25-Nov	32	Part E.3 (Ch.16)		
29-Nov	33	Exercises Ch.16	Tutorial Sessions	Ch.16: 2, 3, 7-14, 15, 17-19, 21-23
30-Nov	34	<b>Test 5</b>	<b>Test 5 covers Parts E.2 and E.3</b>	
2-Dec	35	Part F.1-F.4	Pre-read: RZ (2003) and G&Scharfstein (2013)	