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).

Textbook: Mishkin, F.S. and A. Serletis, The Economics of Money, Banking, and Financial Markets, 6th Canadian edition, Pearson Education Canada Inc., Toronto, 2016. The text is available in the UVic Bookstore and comes wrapped with MyLab. We will use MyLab 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:

- MyLab quizzes 10% usually weekly (starting end of 2nd week)
- Assignments 5% periodically
- Essay/Project/MyLab 5% TBA (latter half of the course)
- Midterm 1 20% Oct 10, 5:30 – 6:20pm in ECS 125
- Midterm 2 20% Nov 7, 5:30 – 6:20pm in ECS 125
- Final examination 40%(60%) see official exam schedule (to be Posted)

100%

To ensure equal treatment, both sections will write the midterms together. (Please see me after the 1st class if you have a time conflict.) Make-up midterms will not be given (also see below Academic Concession). 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 3 hours in duration and 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. There may be a short essay. Each exam will have challenging long analytical questions:

- Midterm 1 - present value pricing of assets, and/or
  - term structure of interest rates and forecasting future rates
- Midterm 2 - bank balance sheets and bankruptcy, and/or
  - central banking and the money supply
- Final - above (except for present value pricing of assets)
  - inflation and value of money
The MyLab Economics chapter quizzes offer ongoing review. The first set of MyLab chapter quizzes are due Friday September 14 by 5:00pm. Subsequent chapter quizzes are usually due on Fridays at 5:00pm. You are responsible for tracking and identifying any problems with your completing the assignments on time. If you miss any quiz you will receive zero on that quiz with no exception. To make it more forgiving, I will drop your lowest chapter mark (evaluated as a percentage) and allow you to replace the next two lowest marks by doing the quizzes for an additional 2 chapters (the material for which we may or may not cover in class). Thus, you have 3 chances to recover. It is easy to do well on the quizzes. Warning – quickly reviewing the MEL quizzes is not sufficient to do well on the exam multiple choice questions!

Periodically, questions may be posted on CourseSpaces to test whether you are keeping up with the reading and problems. Make up questions will not be assigned. A short essay or project or additional MyLab questions will be assigned in the latter half of the course. It will likely relate either to issues around micro-credit and/or the financial crisis.

Course letter grade - numerical score (%) equivalencies used at UVic are as follows:

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<thead>
<tr>
<th>Letter Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A+</td>
<td>90-100</td>
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<tr>
<td>A</td>
<td>85-89</td>
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<tr>
<td>A-</td>
<td>80-84</td>
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<tr>
<td>B+</td>
<td>77-79</td>
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<tr>
<td>B</td>
<td>73-76</td>
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<tr>
<td>B-</td>
<td>70-72</td>
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<td>C+</td>
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<td>C-</td>
<td>50-59</td>
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<td>D</td>
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Policies:

Department policies regarding academic integrity, attendance, academic concessions, grading, inclusivity and diversity, students with a disability, travel plans, waitlists etc., are detailed at: 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 https://web.uvic.ca/calendar2018-09/general/dates.html.

Since this course is waitlisted and essential to students who want to do the Finance Option, all students are required to complete the Mandatory Exercise in order to determine which students have an active interest in taking the course.

➢ Students on the class list as well as on the waitlist who fail to pass the Mandatory Exercise by Sept 11, 5:00pm may be dropped from the course.

The Mandatory Exercise is on CourseSpaces – so sign on and follow the instructions. If you are dropped, you can always try to enroll in the course again but you lose your priority if there is a waitlist. You are responsible for knowing your registration status.

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 (see Medical Note on CourseSpaces), accident or family affliction, and for no other reasons. If you miss a midterm without providing documentation with
10 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 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, https://web.uvic.ca/calendar2018-09/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.** The following article adds to the literature which finds that classroom laptop/tablet/phone use not only dramatically lowers education outcomes for users but also for those around them: [NY Times article](https://www.nytimes.com/). New research shows that old fashion pen and paper is on average a much better way to learn: [NPR article](https://www.npr.org). Since it appears that laptops impose a large negative externality on others, please do not laptops in class other than when indicated (or unless you have prior approval). Instead, please make hard copies of the text(s) notes and articles.

**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’ve put considerable thought into designing this course and value your feedback in helping me improve it. 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](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 are indicated by italics. Additional notes and articles will be posted on the CourseSpaces as the term progresses. I reserve the right to introduce other topics e.g. virtual currencies or exchange rates; this gives us flexibility to address current events.

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); *Level and Rates*
4. The Behaviour of Interest Rates (Ch. 5)
5. The Risk and Term Structure of Interest Rates (Ch. 6); *Yields Illustrated*
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); *Sub-prime Primer; Meltdown; Money, Power and Wall Street* (Episode 4, minutes 28-44)

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); *Level and Rates Money, Inflation and the Quantity Theory of Money* (Ref. Ch. 20)
   The Foreign Exchange Market (Ch 18, p. 461-466)
2. “Great Depression” in the text (especially Ch 15), *Bernanke (1983); Comments on Bernanke (1983)*
3. Financial Crisis (Ch.9); *Financial 9/11?*