

**DEPARTMENT OF ECONOMICS
UNIVERSITY OF TORONTO**

**Money, Banking & Financial Markets
ECO349H1F (LEC0101)**

**Fall 2017
WEDNESDAY 4 – 7 IN SS2102**

Prof. ANGELO MELINO

OFFICE: KN 3254
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COURSE DESCRIPTION

This course explores a wide range of topics involving financial institutions and markets, and the links between them and the central bank. We examine the importance of money, banks, and other financial institutions in the economy, and how technology, information asymmetries, and regulation have shaped their evolution. Topics surveyed include the role of money and the financial system in promoting economic welfare, pricing bonds and stocks, what banks do, and the central bank's goals and tools.

REQUIRED TEXTBOOK

Frederic Mishkin and Apostolos Serlitis: *The Economics of Money, Banking, and Financial Markets*, 6th Canadian Edition, Pearson Publishers (2016).

SUPPLEMENTARY MATERIALS

Although not required, your textbook comes bundled with access to MyEconLab, which provides solutions to the end-of-chapter quizzes, “flash cards” to test your memory of various technical terms, and practice test questions. You can also purchase access to MyEconLab separately from the textbook (for \$55), or bundled with the e-text (for \$95). I will post information on how to register for these resources on the course website.

PREREQUISITES & EXCLUSIONS

See the Academic Calendar for prerequisites and exclusions. Prerequisites are strictly checked and enforced and must be completed before taking a course. By taking this course you acknowledge that you will be removed from the course at any time if you do not meet all requirements set by the Department of Economics.

GRADING SCHEME

The Mid-term will be held on October 25 during class time. The Final Examination will be scheduled by the Faculty of Arts and Science on a date during the December exam period. A group paper project will be due by the beginning of class on Dec 6.

Mid-term 35% and Final Examination 45% (*If Mid-term is better than Final Examination*).

Mid-term 25% and Final Examination 55% (*If Final Examination is better than Mid-term*).

Group Project 20%

The Final Examination will cover the entire course. Re-reads of the Mid-term will be granted if the test is returned for a re-read *within one week* after it has been returned to the class. Students must provide *in writing* and with specificity any questions or concerns with the grading. Please be advised that the marker may re-read and re-mark the entire test.

The Group Project will be a paper of 2500-3000 words (excluding charts, footnotes, and the bibliography), on a topic to be announced in class, to be submitted to Turnitin.com. No late submission or emailed copy will be accepted. Each group must have at most five members; groups smaller than three will be assigned a penalty.

POLICY ON MISSED TEST:

Students who miss the Mid-term for a certified medical reason, or other approved cause, will be permitted to write a make-up test after the lecture on Nov 8. In these instances, students are required (without exceptions) to submit official documentation within one week of the missed test. In the case of illness, the [University of Toronto official Verification of Student Illness or Injury form](#) must be used. This form must be emailed to the instructor with the subject line: Missed Test Petition. Students deemed ineligible for writing the make-up test will receive a grade of zero for the missed test.

There is no “makeup for the makeup”; failure to write the makeup will result in a grade of zero, without exception.

TURNITIN

Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.

If you refuse to use Turnitin you must make alternative arrangements with your professor in advance.

COMMUNICATION:

All course materials and announcements will be posted on Blackboard. Please visit the portal often. In addition to my regular office hours, I am available by appointment, including virtual office hours via SKYPE. As a rule, I do not respond to phone calls, but I will usually respond to email within a day (except on weekends and holidays). However, I will *only read* emails sent through a *UTOR account* for record-keeping and identification purposes. Please put “*ECO349*” in the message title or your email may be caught by my spam filter. I will only respond to email posing questions that can be answered in a sentence or two; otherwise you should see me during my office hours. Please do not abuse your email access to me. Email should not be seen as a means to receive private tutorials or review material that was covered in class but you missed.

ACADEMIC MISCONDUCT

Copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic calendar. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties. As a student it is your responsibility to ensure the integrity of your work and to understand what constitutes an academic offence. If you have any concerns that you may be crossing the line, always ask your instructor. Your instructor can explain, for example, the nuances of plagiarism and how to use secondary sources appropriately; he or she will also tell you what kinds of aids -- calculators, dictionaries, etc. -- are permitted in a test or exam. Ignorance of the rules does not excuse cheating or plagiarism. For more information regarding the Code of Behaviour please see the Academic Calendar.

TOPICS:

PART I – Introduction

Chapter 1,p1-12,19-21	Why Study Money, Banking, and Financial Markets? plus Appendix 1.
Chapter 3	What is Money?
Chapter 2	An Overview of the Financial System

PART II – Financial Markets

Chapter 4	The Meaning of Interest Rates
Chapter 5	The Behaviour of Interest Rates
Chapter 6	The Risk and Term Structure of Interest Rates
Chapter 7	The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis

PART III –Financial Institutions and Financial Crises

Chapter 8	An Economic Analysis of Financial Structure
Chapter 10	Economic Analysis of Financial Regulation
Chapter 11	Banking Industry: Structure and Competition
Chapter 12	Banking and the Management of Financial Institutions
Chapter 9	Financial Crises

PART IV – Central Banking and the Conduct of Monetary Policy

Chapter 14, p342-355	Central Banks and the Bank of Canada
Chapter 16, p390-419	Tools of Monetary Policy
Chapter 17	The Conduct of Monetary Policy: Strategy and Tactics