

Money, Banking & Financial Markets ECO349H1F

SYLLABUS

Instructor: Burhan Kuruscu

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Objectives

Financial markets have been at the centre of the most major economic crisis, including the Great Depression, the more recent Great Recession, and the even more recent EU debt crisis. In this course, we will learn how financial markets and institutions work; frictions that determine financing of projects; pricing of financial securities; governments and central banks' role in promoting the health of the financial system; financial crises and policy responses to such crises with the help of modern economic theories. The course will not be just about institutional details, which has been the traditional way to teach it, but will also focus on the theories so that we can think systematically about financial markets and monetary policy.

Preparation for this course:

To be successful in this class, you need to have a **strong background in mathematics** and economic theory (both macro and micro). You should especially be comfortable with topics related to optimization, calculus, and limits, and have good algebraic skills. I will NOT teach these topics in this class but you must have learned them before coming to the class.

Lectures and Tutorials: Wednesdays 3-6pm, in RW 110

The first 2 hours will be used for Lecture and the following hour will occasionally be used for a tutorial, which I will announce in advance.

Office Hours:

My office hours are Thursdays 12pm-1pm. Outside my office hours you can contact me via e-mail at burhan.kuruscu@utoronto.ca, *although* at busy times, you will get a prompter response if you stop by during the office hours.

Teaching Assistants:

Marijn Bolhuis (marijn.bolhuis@mail.utoronto.ca): Tuesdays 4-5pm, in GE 213.

Textbook

- "Finance and Financial Intermediation: A Modern Treatment of Money, Credit and Banking", a draft of a textbook currently being written by Harold L. Cole (posted)

Top Hat: You need to purchase and register for Top Hat. You should have received an e-mail from me regarding the registration.

E-mail list: You are automatically added to the class email list if you are registered or this course. This email list will be the main way I will make announcements and communicate with the class.

Quercus: Please check the Quercus frequently for course materials and announcements.

Course Requirements and Grading

The **Mid-term** will be held on **October 9, 2019 in EX 100, 3-5pm**.

The **Final Examination** will be scheduled by the Faculty of Arts and Science on a date during the December exam period.

Mid-term 45% and Final Examination 50% (If Mid-term is better than Final Examination).

Mid-term 35% and Final Examination 60% (If Final Examination is better than Mid-term).

Attendance and participation through Top Hat: 5% of total grade.

Appeal Process: Students should go to the TA's office hour and talk to him if they have any questions about their exams. If they cannot resolve their issue with the teaching assistant, they can appeal to their exam grades to me **only in writing** within two weeks after the exams are handed back in class. Any appeals after **two weeks** will not be accepted. Appeals have to be made in writing. Students who do not receive their exams due to absence and as a result miss the appeal deadline will not receive any extension to appeal.

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 on **October 16, 3-5pm**. In these instances, students are required (without exceptions) to submit official documentation within **3 days** 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 within 3 days after the test. Students deemed ineligible for writing the make-up test will receive a grade of zero for the missed test.

The certificates should be dated on the day of the midterm or prior to the midterm and should state that the student cannot write the midterm at the midterm time. Post-dated certificates will not be accepted.

<http://www.healthservice.utoronto.ca/pdfs/medcert.htm>

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

Class Participation: I strongly encourage students for participating in class. You should feel comfortable to ask any questions if you cannot follow my lectures or you do not understand something. To be able to assess whether you can follow my lectures or whether you have learned a particular topic before, I will also select students randomly and ask them questions.

Students with Special Needs: I will provide necessary accommodation to students with special needs subject to university guidelines.

Schedule:

Chapter 1. Overview of the Financial System

Chapter 2. Market Operation

Chapter 3. Asset Pricing I: Risk-Neutral Pricing

Chapter 4. Asset Pricing with Growth

Chapter 5 & Article from Economist. Asset Pricing II

Chapter 6. Asset Pricing III: Arbitrage-Based Pricing

Chapter 7. Derivatives

Chapter 11. Lending and the Development of Banks

Chapter 12. More on Banks and Banking

Chapter 13. The Financial Meltdown and the Great Recession

Chapter 16. Debt, Default and Interest Rates

Articles from Economist: The Next Recession

Bank of Canada's Monetary Policy