

Course Syllabus

Money, Banking and Financial Markets

ECO349H1-S LEC5101 – WINTER 2024

Department of Economics

University of Toronto – St. George

Instructor: Chris D'Souza

Course Delivery Mode: Hybrid - Lecture recordings will be posted on Quercus; Tutorials will be conducted in-person; Midterm and Final exams will be administered in-person; and Quizzes will be administered online through Quercus.

- **Occasional on-line class meetings:** Tuesdays (on occasion) via Zoom between 6:10 PM - 7:30 PM (ET) to discuss course organisation, assessments and content.
- **On-line office hours:** After on-line class meetings, or by appointment.
- **Lectures:** Pre-recorded videos will be posted on Quercus
- **In-Person Tutorials:** To be scheduled by the teaching assistant (TA) using Quercus Announcements; Tuesdays (about 5-7 tutorials in total) between 6:10 PM - 7:30 PM (ET). The TA will work through end-of-chapter eTextbook questions (not the “Applied Problems”). The classroom will be posted on Quercus.
- **Quizzes:** Scheduled about once every two weeks on Tuesdays between 8:30 and 9:00 PM (ET) via Quercus.

Contact Information:

- Email: Use the **Quercus Inbox** to communicate with me outside of class and office hours.
- **Course lectures will be available via recordings. Lectures will usually last two hours.** Students must have access to reliable high-speed internet and a dependable laptop or desktop computer (PC or Mac).
- **On-line Class Meetings and Office Hours via Zoom:** Students must create an official UofT Zoom account using their UTORid and password at <https://utoronto.zoom.us>. Logging in with an unofficial account will leave you stranded in the waiting room. Office hours will be held immediately after on-line class meetings or by appointment.
- **Tutorials** will be conducted in-person on average once every two weeks.

Communication

- I will use the Quercus course website to post announcements, required and optional readings, and other course-related content.

- Please use the Quercus Inbox Application to communicate with me. I will do my best to answer your questions within 72 hours.
- You may also post questions about course content in the Quercus Discussions board.
- Student interaction and group discussion may be organised through Quercus Discussions, and during office hours.

Quercus Discussion boards will be used to address students' course-related questions. The Discussions board allow you to ask and answer questions about course material and discuss course topics more generally. The board is a platform for you to engage with your classmates, practice your skills, test your knowledge, and learn with your classmates. I will monitor the Discussions, but it is primarily for student-to-student interaction like an online study group, and not a substitute for online office hours.

Course Description and Learning Outcomes: This course explores a wide range of topics involving money, financial markets, financial institutions, and the links between the financial sector, the 'real' economy, and the central bank. We also examine the importance of financial markets, banks, and other financial institutions in the economy, and how information asymmetries and regulation have shaped their evolution.

Topics surveyed include the role of money and the financial system in promoting economic welfare, the behaviour of bond and stock market prices and investment returns, the role of commercial banks in the economy, the regulation of financial institutions and the tools of central banks. This course also studies the role of the central bank in the economy, which includes the use of monetary policy to mitigate financial market instability and to promote economic growth. Furthermore, given the high degree of global financial market integration, we also investigate the links between Canada's financial system and the international financial system, in part through exchange rate movements.

Learning Outcomes:

- Gain a better understanding of the Canadian banking sector, financial markets and their interaction with the broader economy
- Increase familiarity with how financial markets, such as bond and stock markets, operate, and learn how they may promote economic efficiency
- Advance your understanding of the role of the central bank and how monetary policy can influence growth and fluctuations in the economy
- Learn about the functions of money, why and how it promotes economic efficiency, and discover how its form has evolved over time
- Gain a better understanding of how changes in interest rates affect consumers, businesses, financial institutions, and the overall economy
- Understand how foreign exchange markets operate and why exchange rates are important, and the main factors that affect exchange rates in the long run
- Advance your understanding of how financial systems around the world contributed to the decade-old global financial crisis and great recession

- Improve competence working with economic and financial market data

Tools for Developing Learning Outcomes:

The course employs both mathematical models and an analytical framework to understand the economics of money, banking and financial markets. The theory of informational economics, principal-agent theory, moral hazard and adverse selection will be used to understand the functioning of financial institutions and financial markets. The theoretical links between the financial sector and the real sector of the economy will be examined to get an understanding how banks and financial markets contribute to economic growth and business cycles. The course will discuss monetary theory, the functions and roles of the central bank, to gain an understanding of the interactions between the central bank and financial institutions. There will also be opportunities for class and office hour discussions regarding current developments in financial markets, the Bank of Canada and Federal Reserve interest rate announcements, regulatory changes for banks and financial markets, and personal finance topics.

Prerequisites: 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. The most recent prerequisite information is available in the [Academic Calendar](#). Note: prerequisites for various courses have changed, so don't assume that the information in last year's syllabus can be re-used.

Course Materials:

Required Textbook: [The Economics of Money, Banking, and Financial Markets, 8th Canadian Edition, Frederic Mishkin, Apostolos Serlitis. Pearson Publishers.](#) The **eText** will be used extensively during the course. Online academic and policy papers will also be assigned as required or optional readings. Students can purchase an access code from the [bookstore](#) or from the publisher's website. The access code and the **Pearson course ID: dsouza31599** will be required to [register](#) as a Student and access the eText:

1. Go to <https://mlm.pearson.com/enrollment/dsouza31599>
 2. Sign in with your Pearson student account or create your account.
 3. Select any available access option, if asked.
 - a. Enter the access code that came with your textbook or from the bookstore.
 - b. Buy instant access using a credit card or PayPal.
 - c. Select Get temporary access without payment for 14 days.
 4. Select Go to my course.
 5. Select Eco349 from My Courses.
- **Tip: You are not required to purchase access to MyLab Economics for this course**, but it may be helpful. The site contains practice questions and various study aids. Once you [register](#) as a Student at Pearson, you can get temporary or trail access (without

payment) to the MyLab Economics website. See “Waiting for Financial Aid” at the bottom of the “Select an Option” when registering.

In each lecture, I will cover one or two chapters from the eText. You are expected to complete the required readings, watch any uploaded videos and complete quizzes based on the posted course schedule. You will have an opportunity to ask questions during the virtual office hours.

- Lecture 1: Chapter 1 - Why Study Money, Banking, and Financial Markets? (Incl. Appendix)
Chapter 2 - An Overview of the Financial System
- Lecture 2: Chapter 3 - What is Money?
Chapter 4 - The Meaning of Interest Rates
- Lecture 3: Chapter 5 - The Behaviour of Interest Rates
- Lecture 4: Chapter 6 - The Risk and Term Structure of Interest Rates
- Lecture 5: Chapter 7 - The Stock Market, Rational Expectations, Efficient Markets
[Contingent Capital](#) (Bank of Canada Financial Stability Report)
- Lecture 6: Feb. 13 - Midterm Exam (This is an **In-Person Exam**)
- Lecture 7: Chapter 8 - An Economic Analysis of Financial Structure
Chapter 11 - Financial Crises
- Lecture 8: Chapter 14 - Central Banks and the Bank of Canada
[Money Creation in the Modern Economy](#) (Bank of England Quarterly Bulletin)
- Lecture 9: Chapter 16 - Tools of Monetary Policy
- Lecture 10: Chapter 17 - The Conduct of Monetary Policy: Strategy and Tactics
- Lecture 11: Chapter 18 - The Foreign Exchange Market
[Dornbusch's Exchange Rate Overshooting Model](#) (IMF)

Along with the eText readings, I will post my lecture slides, lecture recordings and other required reading material, including journal articles and working papers, on the Quercus course portal. Please visit this site regularly for recent postings and announcements.

Evaluation and Grading Scheme:

The final grade in the course will be determined as follows:

1. Quizzes worth 2.5% each (4 Quizzes): 10% of total course grade

- Quizzes will be posted **online** on the Quercus course page during the last half-hour of class (20:30-21:00 ET). Students will have about 20 minutes to complete the quiz.
- Questions will be based on the **required** readings recently posted on Quercus.
- Quizzes cannot be completed past the due date and time.
- There will be no extensions.

2. Midterm Exam: 35% of total course grade – 13 February 2024 (6-9 pm)

- This is an in-person exam; Location to be announced.

3. Final Exam: 55% of total course grade – Date and location to be announced

- The exam will be scheduled by the Faculty of Arts and Science on a date during the official exam period.
- The exam will be based on required readings from the eText, class lectures, class discussion, and course slides.
- There will be multiple-choice, short- and long-answer questions.
- Short- and long-answer questions will assess students' knowledge, application, comprehension skills and critical thinking skills.

This course will use Crowdmark, a collaborative online grading tool for marking and providing feedback on graded term assessments. Crowdmark provides efficiencies with grading, data recording, returning term assessments and handling regrade requests. Copies of student work marked in Crowdmark, including grading and feedback, will be available online to students for at least one year. Digital (i.e., online) copies will serve as the authoritative record for course administrative purposes, and paper copies of assessments scanned and uploaded to Crowdmark will be destroyed after the term has ended and final grades are approved. If students have questions about how your information is stored on Crowdmark, please contact your course instructor.

Absence Declaration - Missed Midterm or Quizzes:

Documentation is required to support a student's request for academic consideration (e.g., extension, make-up test, reweighting). The following are recognized forms of documentation:

- Absence Declaration via ACORN
- U of T Verification of Illness or Injury Form (VOI)
- College Registrar's letter
- Letter of Academic Accommodation from Accessibility Services

For extended absences and for absences due to non-medical reasons, students should contact with their College Registrar's office. The colleges can help students decide if they want to request an extension or seek other forms of academic consideration.

If students suspect or know that they have a disability that is affecting their studies, they are encouraged to review supports available for A&S students through Accessibility Services. A disability can be physical, sensory, a learning disability, mental health disorder or short-term disabilities like injuries. If a student is not sure whether they have a disability, they can confidentially contact Accessibility Services with questions.

If students observe religious Holy Days that might conflict with academic activities (e.g., a class or test), they should visit U of T's religious accommodations policy for more information.

- Students should also advise their instructor of their absence. It is a student's responsibility to let instructors know that they have used the Absence Declaration so that you can discuss any needed consideration, where appropriate.

Students who miss the midterm exam or a quiz because of circumstances beyond their control (e.g., illness or an accident; Note: a conflict with another course/work or "not being in town" are not valid excuses) can request that the Department grant them special consideration. For example, if the midterm exam is missed and cannot be rescheduled – either the student's circumstances or the instructor's difficulty in composing an effective test makes a make-up test unreasonable, the four quizzes and final exam will be re-weighted, and the final exam will count for 80% and the 4 quizzes will count for 5% each.

Additional Information:

- If you missed your midterm exam or quiz for a reason connected to your registered disability, the Department will accept documentation supplied by Accessibility Services.
- Consult the Office of the Registrar should your absence be lengthy or affect multiple courses.
- The written explanation and documentation that you submit represents an appeal from you, requesting the opportunity to account for that portion of your grade in some other manner. If an appeal is not received, or if the appeal is deemed unacceptable, you will receive a grade of zero for the item you missed. If the appeal is granted – that is, your reason for missing the item is considered acceptable by the instructor, then the student will be given another opportunity to write the exam.
- Note that it is your responsibility to ensure that your email account is working. Claims that a Departmental decision was not received will NOT be considered as a reason for further consideration. Note that holidays and pre-purchased plane tickets, family plans, your friend's wedding, lack of preparation, or too many other tests/assignments are not acceptable excuses for missing a quiz or an exam.

- Students **CANNOT** petition to re-write the midterm exam or a quiz once the test has begun. If you are feeling ill, please do not start the midterm exam or quiz, seek medical attention immediately, and the policy on Missed Term Work will apply.

Technology: Expectations and Requirements

To complete this course, additional requirements – beyond the basics of having your TCard (your U of T Student ID card), a handheld calculator, paper, pencils, and erasers – **may** include:

- Reliable and regular access to a laptop/desktop that has a working microphone; A cell phone is NOT sufficient; A tablet is NOT required for this course
- You may also need reliable and regular access to high-speed internet; See the University's [Recommended Technology Requirements for Remote/Online Learning](#) for more details
- Being proactive to avoid technical and other difficulties, which includes submitting well before deadlines, maintaining your devices, carefully reading all assessment instructions, and contacting me immediately with any problems
- Ability to correctly convert local Toronto time to your time zone: we will not accept confusion about deadlines (which will be given in local Toronto time) as an excuse for lateness or missed work
- Having a current installation of Excel and Word software, which is available at no cost to current U of T students
- Ensuring that you maintain regular backup copies of your files, use antivirus software, and schedule enough time when completing an assessment to allow for delays due to technical difficulties.

NOTE: Computer viruses, crashed hard drives, lost or corrupted files, incompatible file formats, faulty internet, and similar mishaps are common issues when using technology, and are not acceptable grounds for a deadline extension.

Plagiarism Detection Tool: Normally, students will be required to submit their course essays to the University's plagiarism detection tool 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 tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).

- Students and/or groups must inform me at the start of the course if they choose to opt out of Plagiarism Detection. If a student or group opts-out, they will be required to submit all of the following as an alternative to using the University's plagiarism detection tool to check for plagiarism:
 - An annotated bibliography
 - All their rough work
 - Call numbers and/or web site addresses of all sources cited.

The use of generative artificial intelligence (AI) tools is strictly prohibited in all course assessments including quizzes. This includes, but is not limited to, ChatGPT, GitHub Copilot, and open-source models that you have trained and/or deployed yourself. You may not interact with, nor copy, paraphrase, or adapt any content from any generative AI for the purpose of completing assignments in this course. Use of generative AI will be considered use of an unauthorized aid, which is a form of academic misconduct under the Code of Behavior on Academic Matters.

- This course policy is designed to promote your learning and intellectual development and to ensure that our evaluations are a fair and accurate assessment of your learning. Though it may be tempting to use generative AI to assist you when completing your assignments, this will simply inhibit your learning. If the work you submit is essentially the output of generative AI, then what have you learned and what value are you adding? Think of it this way: if a potential employer or supervisor can get as much from an AI tool as what you're able to do yourself, then why should they hire you at all? You should aim to understand course content at a level that far exceeds what an automated tool can achieve. Our course—and in particular, each assessment—is designed to help you attain true mastery of the course content. If you have questions or are stuck, please come to office hours, where we'll be happy to help!

Student Conduct: It is your responsibility as a student at the University of Toronto to familiarize yourself with, and adhere to, [The Code of Student Conduct](#), which is a University policy that sets out expectations for student behavior, and prescribes processes for dealing with prohibited behaviour.

The [Student's Companion to the Student Code of Conduct](#) is a set of frequently asked questions and the responses about the Code of Student Conduct. It aims to simplify and clarify Code usage for the University's community members.

Privacy and Use of Course Materials: Online classes will be held online via Zoom meetings. Zoom meeting recordings will then be posted in Quercus. In these circumstances:

Pre-recorded videos and will be available to students in the course for viewing remotely. Course videos and materials belong to your instructor, the University, and/or other sources depending on the specific facts of each situation, and are protected by copyright. Do not download, copy, or share any course or student materials or videos without the explicit permission of the instructor. For questions about recording and use of videos in which you appear please contact your instructor.

Netiquette: What is netiquette? Netiquette is the code of conduct that is expected in an online environment that is similar to what they expect in the classroom.

- Adhere to the same standards as you would in the classroom. For example, respect your peers. Use proper and respectful language and refrain from any insults, threats or bad

jokes. You make think you are being funny by the minor insults, but you are not. Not everyone will have your same sense of humor.

- Be forgiving of mistakes. Do not point out insignificant errors of other students in front of the whole class. It's counterproductive and interrupts the flow of discussion.
- It is advised to mute your microphone during lecture. Background noises are distracting to everyone including how hard you type on your keyboard. Believe it or not, it makes more noise than you think.
- When your professor asks a question, please use the chat function to que your answer. This also applies if you have to ask a question. Use the chat function and your professor will answer the questions in the order they appear. Be patient. There will be delays and your instructor and/or your peers needs a few moments to read.
- Before you hit the enter key to send messages through the chat function, please re-read your response or question carefully and check for errors. Please note it is okay to make minor errors so long as you are understood.
- Be clear and concise but do not using texting language. Full sentences please. Note: It's okay to use emoji's but do not overdo it.
- Be mindful of internet language, e.g., the interpretation of all cap letters is that you are shouting.
- Do not dominate the discussion. Give other students the opportunity to join in the discussion and present their ideas.
- Be positive. Do not start "flame wars" (emotionally-charged opinions) and intervene if you see this happening in a positive matter. Challenge the idea and not the student directly. Remember the purpose of a discussion is to increase your knowledge base.
- Do not make fun of someone's ability to read, write or speak. Remember we are all here to learn in a supportive environment.
- Avoid using slang and/or vernacular language. UofT is a very diverse community and this could possibly lead to misinterpretation, especially in the chat function.
- If someone posts information that you think may have been posted accidentally, let them know about it privately. Do not spread the accidental post to your peers. Remember we all make mistakes.

Academic Integrity is essential to the pursuit of learning and scholarship in a university, and to ensuring that a degree from the University of Toronto is a strong signal of each student's individual academic achievement. As a result, the University treats cases of cheating and plagiarism very seriously. The University of Toronto's Code of Behaviour on Academic Matters outlines the behaviours that constitute academic dishonesty and the processes for addressing academic offences. Potential offences include, but are not limited to:

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On quizzes and exams:

- Using or possessing unauthorized aids.
- Looking at someone else's answers during an exam or test.
- Misrepresenting your identity.

With regard to remote learning, the University wishes to remind students that they are expected to adhere to the [Code of Behaviour on Academic Matters](#) regardless of the course delivery method. By offering students the opportunity to learn remotely, the University expects that students will maintain the same academic honesty and integrity that they would in a classroom setting. Potential academic offences in a digital context include, but are not limited to:

Remote assessments:

- Accessing unauthorized resources (search engines, chat rooms, Reddit, etc.) for assessments.
- Using technological aids (e.g., software) beyond what is listed as permitted in an assessment.
- Posting test or exam questions to message boards or social media.
- Creating, accessing, and sharing assessment questions and answers in virtual "course groups."
- Working collaboratively, in-person or online, with others on assessments that are expected to be completed individually.

All suspected cases of academic dishonesty will be investigated following procedures outlined in the [Code of Behaviour on Academic Matters](#). If you have questions or concerns about what constitutes appropriate academic behaviour or appropriate research and citation methods, you are expected to seek out additional information on academic integrity from your instructor or from other [institutional resources](#).

Honesty and fairness are considered fundamental to the university's mission, and, as a result, all those who violate those principles are dealt with as if they were damaging the integrity of the university itself. When students are suspected of cheating or a similar academic offence, they are typically surprised at how formally and seriously the matter is dealt with -- and how severe the consequences can be if it is determined that cheating did occur. The University of Toronto treats cases of cheating and plagiarism very seriously.

Examples of offences for which you will be penalized include (but are not limited to):

- Using any unauthorized aids on an exam or test (e.g., "cheat sheets," cell phones, electronic devices, etc.)
- Representing someone else's work or words as your own -- plagiarism
- Falsifying documents or grades
- Looking at someone else's answers during an exam or test
- Impersonating another person at an exam or test or having someone else impersonate you

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.**

Students are required to adhere to [policies set out by the University of Toronto](#). By taking this course you acknowledge these policies, including the [Code of Student Conduct](#), the [Code of Behaviour on Academic Matters](#), and the course policies set out in this course syllabus. It is your responsibility as a student at the University of Toronto to familiarize yourself with, and adhere to, these policies. This means, first and foremost, that you should read them carefully. Another helpful document that you should read is [How Not to Plagiarize](#), by M. Procter.

Accessibility: For accessibility services/accommodation, please see:

<http://www.studentlife.utoronto.ca/as>

Resources to help you at the UofT are listed at the Academic Success Centre:

<https://www.studentlife.utoronto.ca/asc>

For course-related issues, please get in touch with me and your College Registrar. For longer-run issues or issues outside our course please contact your College Registrar

<http://www.artsci.utoronto.ca/newstudents/nextsteps/contact>