

University of Toronto
Department of Economics

ECO349 – Money, Banking, and Financial Markets

Spring 2025

Contact Information

Instructor: Dr. Yiming Xu
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Teaching Assistants

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Contact Hours

Lectures will be held in person at MS 2172, Thursdays 7-9 pm.
Weekly tutorials will be held in class from 6 to 7 pm. No tutorial in the first week.
TA office hours if any may be held on Zoom. Instructions will be given in class.

Course Objectives and Learning Outcomes

This course provides an economic analysis of money, financial institutions and markets, central banks, and their interrelations. We will study how modern financial systems allocate resources to productive uses. Central to this analysis is understanding the role of money, the determinants of interest rates, as well as the information asymmetries at the heart of financial transactions.

We will also describe the causes of financial crises and the efforts to contain and prevent the systemic damage they can cause. Finally, this course scrutinizes the monetary policy tools of the central bank and tracks their evolution over time.

This course has six key learning objectives:

- 1) Describe the key players in modern financial markets and understand their structure and operating incentives;
- 2) Assess the market forces which determine interest rates for financial assets and how these link to real economic activity;
- 3) Analyze the importance of household debt in precipitating and intensifying economic downturns;
- 4) Identify the causes of financial crises, the impact on the business cycle, and the similarities across historic episodes;
- 5) Evaluate the responses of policy makers to crises and the recent successes or failures of newly-introduced tools;
- 6) Develop familiarity with real-world events and data by practicing statistical analysis and written communication.

Course Materials

***The Economics of Money, Banking, and Financial Markets, Canadian Edition*, by Frederic S. Mishkin and Apostolos Serletis, 8th edition.** The text is available as an eBook through the U of T bookstore. We will be using the book extensively so ensure you have access to a copy. Please do not use older editions, as the content has changed significantly.

Bookstore link to the textbook:

<https://www.uoftbookstore.com/adoption-search-results?ccid=5903546&itemid=61736>

Note: One is 1-year access, and the other is permanent access; either is ok; **Do NOT** purchase both.

Additional lecture notes will be posted on Quercus.

Course Outline

This is a tentative schedule I intend to follow this semester. The contents of each week are subject to change and will be updated on Quercus as the term progresses.

Lecture 1: (Jan. 9)	Overview of money, central bank, and financial market (Ch. 1-3).
Lecture 2: (Jan. 16)	Financial market and instruments (Ch. 2, 4).
Lecture 3: (Jan. 23)	Debt instruments (Ch. 5).
Lecture 4: (Jan. 30)	Understanding interest rates (Ch. 6).
Lecture 5: (Feb. 6)	Evaluation of equity, rational expectations and the efficient market hypothesis (Ch. 7).
Lecture 6: (Feb. 13)	Economic analysis of financial structure and regulation (Ch. 8, 9).

Feb. 16 Assignment 1 Due

Feb. 17 – 21 Reading Week, No Class

Feb. 27 Midterm Exam

Lecture 7: (Mar. 6)	Banking and the management of financial institutions (Ch. 12).
Lecture 8: (Mar. 13)	Case study: SVB Bank (handout).
Lecture 9: (Mar. 20)	Tools of monetary policy (Ch. 16).
Lecture 10: (Mar. 27)	Diamond and Dybvig (handout).
Lecture 11: (Apr. 3)	Financial crises (Ch. 11).

Apr. 4 Term Paper Due

Evaluation

There will be one midterm exam, one final exam, and one term project. Your course grade is composed as follows:

$$\begin{aligned} & 35\% \times \text{Final} \\ & + 25\% \times \text{Midterm} \\ & + 10\% \times \text{Problem set (due on Feb. 16 @ 11:59pm)} \\ & + 20\% \times \text{Term paper (due on Apr. 6 @ 11:59pm)} \\ & + 10\% \times \text{Class participation} \end{aligned}$$

Submission of Course Work

The problem set is due on Feb 16, and the term paper is due on Apr. 4, both @ 11:59 pm. The work should be submitted on Quercus. Instructions will be given in the lecture. Late submission will be subject to a penalty of 33% deduction of total marks per day.

It is every student's responsibility to ensure that their assignment is submitted successfully by the due date. Accommodations will not be made for unsuccessful or late submissions due to, but not limited to, i) the system timing out, ii) submitting the incorrect document(s), iii) problems with the internet connection, iv) computer problems, etc.

Late submissions

Assignments and term projects submitted after 11:59 pm of the due date will be subject to a penalty of 33% deduction of total marks per day. The number of days for penalty calculation is in integer, counted by calendar date. You will have to email the late submission to the TA and the instructor following the email policy below as the window of submission on Quercus closes at 11:59 pm. Include your name and student number in the email.

Email Communication

Emails are for short questions. I will utilize Quercus primarily to communicate general course-related issues. It is your responsibility that your account is set up to receive messages from Quercus. Please be brief, clear, and specific in your email. Please use your UTOR e-mail account. E-mails from other accounts may not reach us and your e-mail address helps us to identify you. Please include the course code in the title of the email, and your full name, and student number in the body of the email. If there is no response after 3 business days, please re-send your message. I will not answer email questions within 24 hours before a test and the deadline of a course work.

Prerequisite

You yourself are responsible to check and make sure that you have fulfilled all requirements set by the University of Toronto to participate in this course. See for the appropriate prerequisites: (<https://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites>)

Academic Integrity

Academic integrity is central to a UofT education. We take academic integrity very seriously, and so should you. As a member of the university community you have committed to act with honesty, trust, fairness, respect, responsibility and courage in all academic matters. No student plans on violating this commitment at the initially, but . Most academic integrity violations occur due to circumstance: fast-approaching deadlines, falling behind in work, worrying about poor performance, or anything that causes stress. In these cases, cheating is **not** the easy way out. Not only do you cheapen the time you spend here, but the risk of failing the class and setting back your academic progress is extremely high. To avoid making an academic integrity violation, follow these guidelines:

- **Do your own work.** We design course work to develop and assess skills useful in upper-level courses and the job market. You lose a valuable opportunity to develop these skills and lower the value of the UofT brand when you cheat.
- **Properly acknowledge other people's ideas.** You'd want the same for your ideas.
- **Ask if you are unsure.** I have tried to be clear about the resources and potential for collaboration allowed on each assignment. If you are still unsure after reviewing the syllabus, please ask me. Being unsure of what constitutes an academic integrity violation is not an excuse, and will still be fully report to the Department of Economics and the Office of Student Academic Integrity.
- Normally, students will be required to submit their course writing assignments 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 work 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>).
- Read the University of Toronto's Code of Behavior on Academic Matters (<https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity>).

Missed Term Work

The midterm exam is compulsory. There is no make-up midterm. In the case of missing the midterm, the weight will be evenly redistributed to the other components of the assessment only if you have a legitimate excuse as outlined in the university policies.

Under normal circumstances, the failure to take a midterm during the designated time will result in a zero for that exam. On rare occasions we will grant special accommodations due to illness, injury, legal issues, personal/family problems, extracurricular conflicts, religious practices, accessibility concerns, or other unusual and serious situations. Missing a midterm due to, for example, sleeping through your alarm or working late at a job will not receive special accommodations.

In order to be considered for a potential weight redistribution **you must alert me as soon as you**

know you will be unable to attend class. In most cases this must be **before the exam**. I will only consider granting a make-up exam for students who contact me after missing an exam if their situation would reasonably prevent them from contacting me sooner.

To inform me of your inability to attend an exam, please complete these *steps*:

- 1) Obtain **one** of the following pieces of documentation to verify your absence:
 - i. Absence declaration form via **ACORN**
 - When submitting via ACORN, please send the verification email to the instructor email box with “Absence Declaration” and “ECO349” as your email title. In the body of the email, indicate your full name and student number.
 - ii. Verification of Illness or Injury Form (**VOI**)
 - iii. College Registrar’s letter
 - iv. Letter of Academic Accommodation from Accessibility Services
- 2) Complete the Missed Term Test form on Quercus and attach your documentation from the previous step. The date at which this is submitted will be used when considering your request. When explaining your absence, you may provide as much detail as you feel comfortable, but **you are not required to reveal anything personal**. If your absence involves a deeply private issue, please seek guidance from your College Registrar first about how to communicate with me.
- 3) One week after submitting the Missed Term Test form you will receive an email from me that will either: approve your request for a make-up exam; ask for more information; or deny your request. If you feel you I have not treated your request fairly you may contact your College Registrar to mediate.

The above steps **must be followed** to receive consideration. Additionally, you are welcome to contact me via email or in office hours to further discuss your absence, but this is not required. You should also review the Arts and Sciences specific policy details here:

<https://www.artsci.utoronto.ca/current/academics/student-absences>

Note, the Absence Declaration form can only be used once per academic term for up to seven consecutive days. If other subsequent issues arise, then you will need to provide other forms of recognized documentation (e.g., Verification of Illness Form, College Registrar’s Letter, or a Letter of Academic Accommodation from Accessibility Services).

Missing the final exam will require a petition to the Faculty of Arts & Sciences.

*If you are facing significant difficulties in attending class or completing assignments that continue for longer than a week you should contact your **College Registrar** immediately for assistance.*

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

Regrade Request

If you appeal to re-grade one or more questions on the midterm test and/or course work, you have to request in writing and outline in detail why you think that you deserve a higher mark within 10 business days of the date the test and/or course work is returned to the class. The entire work will be re-marked. Note that this may lead to a lower overall grade.

Technology

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 website (<https://uoft.me/pdt-faq>).

To opt-out of the plagiarism detection tool, you must:

- 1) notify the instructor two weeks before the due dates of the term work;
- 2) include all rough work related to the term work in the submission
- 3) include annotated bibliographies in the submission
- 4) submit through email to the instructor before the deadline.

Generative AI

Students may not use artificial intelligence tools for taking tests, writing research papers, creating computer code, or completing major course assignments. However, these tools may be useful when gathering information from across sources and assimilating it for understanding.

Zoom

Students must create an official U of T 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.

Laptop, Tablet, and Smartphone Policy

It is expected that students will use technology responsibly, with consideration for their fellow students and other members of the University community. Laptops and smartphones are not to be used during class for email, instant messaging, web browsing, or any other activity that is disruptive to other students, the instructor, or the classroom environment. Violation of this technology policy may lead to a prohibition on all electronic equipment use for all students to ensure a productive classroom environment for everyone.

Resources and ATS

Students with diverse backgrounds, perspectives, learning styles and needs are welcome in this course. We want to create a welcoming inclusive environment. If you see ways do better, help us improve with your suggestions. If you need help achieving academic success in this course, please reach out to me. For accessibility services and/or any kind of accommodations, please see:

(<http://www.studentlife.utoronto.ca/as>). Resources to help you at the UofT are listed at: (<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 at (<http://www.artsci.utoronto.ca/newstudents/nextsteps/contact>).

Accessibility, Inclusion, and Support Resources

Students with diverse backgrounds, perspectives, learning styles and needs are welcome in this course. I want the classroom to be an open and welcoming environment where everyone feels comfortable to raise their hand and speak. If you feel there are things I could do better to improve the inclusion in the classroom please let me know.

Additionally, the university provides a variety of support services for students:

- For course catalog questions including prerequisites, please contact the Department of Economics [undergraduate administrator](#).
- If you require accommodations for a disability or health concern please visit the [Accessibility Services Office](#). You can register your needs with [Accessibility Services](#).
- For resources to promote your academic success, visit the [Academic Success Centre](#).
- The university provides all students with free 24-hour access to the [U of T Telus Health Student Support](#) line. You can confidentially speak with a counsellor about any mental health or life issues affecting you, or set-up an appointment for ongoing support. This is a fantastic resource; I suggest using it early, before the stress of the semester piles up, so that you will be more confident to face future challenges.
- For long-term issues that are impacting your academics, contact your [College Registrar](#).