

**York University**  
**Department of Economics**  
**Faculty of Liberal Arts and Professional Studies**  
**AP/ECON3430 N 3.0 – Monetary Economics I: Financial Markets and Institutions**  
**Winter 2021 (Online)**

**Instructor:** George J. Georgopoulos

**Office:** Vari Hall, room 1080

**Phone:** (416) 736 2100 x30108

**Email:** georgop@yorku.ca

**Hybrid (nonsynchronous and Synchronous): Thursdays 4:30-5:30 Synchronous**

**This will be a hybrid type (non-synchronized and synchronized) online class.**

**The format of the online lectures will be as follows.**

I will be posting an audio lecture of the material (which includes the power point slides posted) ahead of the scheduled “class time” on the Moodle course webpage (non-synchronized). It is expected that you will review the audio lecture before the scheduled “class time”, or earlier. I will then be contacting all of you live through Zoom during the scheduled 4:30-5:30pm time (second half of the class) to go over some of the concepts in the audio chapter, to talk about new posted topics related to news on the economy, and to take your questions. These synchronized lectures will be recorded and posted on the Moodle course site.

**Required Text:** Frederic Mishkin, Apostolos Serlitis: *The Economics of Money, Banking, and Financial Markets*, 7<sup>th</sup> Canadian Edition, Pearson Publishers. This text will be used extensively during the course and can be purchased at the York University Bookstore.

<b>Grading:</b>	Midterm: February 25, 4:30-6pm	40%
	Assignment: April 12, 2pm,	10%
	Final Exam: T.B.A.	50%

### **Missed Midterm, Course Withdrawal**

Students may miss an assignment or midterm test due to illness, domestic affliction, or in the case of part time students, work commitments, without academic penalty providing the appropriate documentation is received and approved in a timely manner. There will be no makeup for the midterm. Appropriate documentation is required if you miss the midterm, where the weight will then be allocated to the final exam. Course withdrawal information is in this link,

<http://secretariat-policies.info.yorku.ca/policies/withdrawn-from-course-w-policy-and-guidelines/>

## **Course Scope:**

The study of money and banking is essentially the study of the role and function of monetary aggregates in the economy, and the study of financial markets - that is, money, bond and stock markets and their interrelationships. This course will employ economic principles to organize and analyze the structure of financial markets.

This course will also study the role of the central bank, which includes its use of monetary policy to control growth and fluctuations in the Canadian economy through the chartered banking system. Furthermore, given the high degree of global financial market integration, we will also investigate the links between Canada's financial system and the international financial system.

With the onset of the subprime financial crisis, a money and banking course would not be complete without an extensive analysis of why financial crises occur. This course will use economic analysis of the effects of asymmetric information on financial markets and the economy.

## **Plagiarism:**

Plagiarism is a potentially serious problem in writing assignments. There will be more details concerning the definition of plagiarism, advice on how to avoid it, and the associated penalties when we discuss the assignment in more detail. The term paper must be submitted for review through the Blackboard portal on our course website (there will be a link to access Turnitin). It is important to underscore that the Department of Economics prosecutes all cases of plagiarism vigorously. This includes "unintentional" plagiarism. Ignorance of the rules of plagiarism is specifically excluded as a defense.

## **University disclaimer concerning Turnitin.com:**

*"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"*

## **Late Assignment Policy:**

There will be a 5% penalty per day for a late assignment.

If a student anticipates missing the assignment deadline due to uncontrollable circumstances, they should contact the course instructor at least 7 days in advance to explain the situation for consideration. A student may be required to submit supporting documentation at the discretion of the instructor. Please be advised, considerations will only be made for students with compelling reasons (work overload, losing a computer file and technology failure would not be considered compelling reasons). The reallocation of grades for assignments missed for legitimate reasons will be made at the discretion of the instructor.

## Lecture Material

Along with the textbook readings below, I will be posting lecture slides and other course material (including journal articles for required reading) on Moodle. Please visit this site regularly.

### **Chapter 1.** Why Study Money, Banking, and Financial Markets?

Milton Friedman, "Dollars and Deficits" (Upper Saddle River, N.J.: Prentice Hall, 1968)

### **Chapter 2.** An Overview of the Financial System

World Federation of Exchanges, 2008 Market Highlights, [www.world-exchanges.org/statistics](http://www.world-exchanges.org/statistics);

"Down on the Street", *The Economist*, Nov 25, 2006, pp69-71;

Colin Mayer, "Financial Systems, Corporate Finance, and Economic Development", in *-Asymmetric Information, Corporate Finance, and Investment*, ed. Glenn Hubbard (Chicago: University of Chicago Press, 1990, pp. 307-332.

### **Chapter 3.** What Is Money?

Tracy Chan, Ramdane Djoudad, and Jackson Loi, "Changes in the Indicator Properties of Narrow Monetary Aggregates, *Bank of Canada Review* (Summer 2005): 3-10;

James Powell, "A History of the Canadian Dollar", Ottawa: Bank of Canada, 2005

### **Chapter 4.** Understanding Interest Rates

"Timing is big question for more U.S. stimulus", *Globe and Mail*, Oct. 3 2010,

<http://www.theglobeandmail.com/report-on-business/economy/timing-is-big-question-for-more-us-stimulus/article1740337>.

### **Chapter 5.** The Behaviour of Interest Rates

Brett Arends, "Bonds-Heading from Bull Markets to Bubble?" *Wall Street Journal*, September 15, 2012.

### **Chapter 6.** The Risk and Term Structure of Interest Rates

Patrick McGee and Katy Burne, "Junke Bond Yields Hit All-Time Low," *Wall Street Journal*, September 7, 2012;

David C. Wheelcok and Mark E. Wohar, "Can the Term Spread Predict Output Growth and Recessions? A Survey of the Literature," *Federal Reserve Bank of St. Louis Review*, Vol. 91, No4, September/October 2009, pp. 419-440.

### **Chapter 7.** The Stock Market, Rational Expectations, and the Efficient Market Hypothesis

Luigi Guiso, Paola Sapienza, and Luigi Zingales, "Trusting the Stock Market," *Journal of Finance*, Vol. 63, No.6, December 2008, pp 2557-2600.

### **Chapter 8.** An Economic Analysis of Financial Structure

Mark Gertler, "Financial Structure and Aggregate Economic Activity: An Overview", *Journal of Money, Credit and Banking* 20 (1988): 559-588.

### **Chapter 9.** Economic Analysis of Financial Regulation

A. Demirguc-Kunt and E. Kane, 2002 "Deposit Insurance around the Globe: Where Does it Work?", *Journal of Economic Perspectives* 16(2), pp 175-95.

### **Chapter 11.** Financial Crises

Reinhart, V. , "A Year of Living Dangerously: The Management of the Financial Crises in 2008", *Journal of Economics Perspectives*, Winter 2011, Vol. 25, No.1;

Mishkin, F., "Over the Cliff: From Subprime to the Global Financial Crisis", *Journal of Economics Perspectives*, Winter 2011, Vol. 25, No.1;

Rajan, R.G., "Has Financial Development Made the World Riskier?", *The Greenspan Era: Lessons for the Future*, pp. 313-69. *Federal Reserve Bank of Kansas City*, 2005;

Thomas C. Baxter, Jr. “Too Big to Fail: Expectations and Impact of Extraordinary Government Intervention and the Role of Systemic Risk in the Financial Crisis” , Sept 1. 2010. *New York Federal Reserve Bank*, <http://www.newyorkfed.org/newsevents/speeches/2010/bax100901.html>;  
 Thomas C. Baxter, Jr., “ What the Fed did and Why”, June 2010, *New York Federal Reserve Bank*, <http://www.newyorkfed.org/newsevents/speeches/2010/tra100625.html>;

Markus Brunnermeier, “Deciphering the Liquidity and Credit Crunch 2007-2008”, *Journal of Economics Perspectives*, Vol. 23, Number 1, Winter 2009, pp. 77-100;  
 Ricardo Caballero and Pablo Kurlat, “Flight to Quality and Bailouts: Policy Remarks and a Literature Review”, MIT Department of Economics Working Paper 08-21. Oct. 2008;  
 Phillip Swagell, “The Financial Crisis: An Inside View”, Brookings Paper (March 30, 2009).

#### **Chapter 12. Banking and the Management of Financial Institutions**

Jose Lopez, Financial Instruments for Mitigating Credit Risk”, *Federal Reserve Bank of San Francisco Economic Letter*, no.2001-34, November 23, 2001

#### **Chapter 13. Risk Management with Financial Derivatives**

Robert E. Whaley, “Derivatives on Market Volatility: Hedging Tools Long Overdue, “*Journal of Derivatives*, Vol 1, Fall 1993, pp 71-84. Macroeconomic Influences, Debt, Deficit, and The Euro Lane P.R. (2012), “The European Sovereign Debt Crisis”, *The Journal of Economic Perspectives*, Summer, pp49-68;  
 Bernanke, Ben S. and Mark Gertler. 1995. “Inside the Black Box: The Credit Channel of Monetary Policy Transmission” (in Symposia: The Monetary Transmission Mechanism) *The Journal of Economic Perspectives*, Vol. 9, No. 4. (Autumn), pp. 27-48.

#### **Chapter 16. Tools of Monetary Policy**

Walter Engert, Toni Gravelle, and Donna Howard, “The Implementation of Monetary Policy in Canada”, Bank of Canada Discussion Paper 2008-9

## **Important Dates**

	<b>Winter Term 2020 (W21)</b>
Last date to add a course <b>without permission</b> of instructor (also see Financial Deadlines)	January 25
Last date to add a course <b>with permission</b> of instructor (also see Financial Deadlines)	February 8
Last date to drop a course without receiving a grade (also see Financial Deadlines)	March 12
Course Withdrawal Period (withdraw from a course and receive a grade of “W” on transcript)	March 13 - April 12

## Important Academic Forms

[Religious Accommodation](#)

[Deferred Standing](#)

[Attending Physician's Statement Form](#)

## Important Information for Students

All students are expected to familiarize themselves with the following information available on the [Senate Committee on Curriculum & Academic Standards webpage](#).

- York's Academic Honesty Policy and Procedures is located on the [York University Senate webpage](#). As per Senate Policy, academic honesty and integrity is defined as conduct that violates the ethical or legal standards of the University community or of one's program or specialization is subject to severe penalties. Students are responsible for understanding the nature and consequences of these offences, as contained in the Senate Policy on Academic Honesty. More information on academic integrity for students can be found on the [York Academic Integrity Website](#).
- Ethics Review Process for research involving human participants located using the [Senate Policy Research Involving Human Participants link](#)
- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities can be accessed using the [Academic Accommodation for Students with Disabilities link](#).
- Information on student conduct standards can be reviewed on the [Code of Student Rights and Responsibilities webpage](#).
- Students requiring religious accommodation should review the Religious Accommodations Guidelines using the [Religious Observance link](#).