

Department of Economics  
Faculty of Liberal and Professional Studies  
York University  
Winter 2022

**AP/ECON 3430 – Section M**  
**Monetary Economics I: Financial Markets and Institutions**  
*Last updated: January 14, 2022*

<b>Instructor</b>	<b>Sharif F. Khan</b>
Lecture Hours	Wednesday 11:30 am – 2:30 pm
Classroom	ACW 004
Virtual Office Hours	Thursday 4:30 – 5:30 pm (via ZOOM)
Email ( <i>use is restricted</i> )	<a href="mailto:khansf@yorku.ca">khansf@yorku.ca</a> <i>only for personal correspondence</i>
Course Webpage	<a href="https://eclass.yorku.ca/eclass/my/">https://eclass.yorku.ca/eclass/my/</a>

**PREFERRED METHOD TO CONTACT PROFESSOR**

The students are expected to contact Professor directly during the virtual office hours and the lecture hours via Zoom if they have any questions or concerns about this course.

**ORGANIZATION OF THE COURSE**

Please note that this course depends on in-person teaching and learning. However, there will be no in-person lectures during the first three weeks of the term due to the current COVID 19 pandemic situation. Therefore, **the instructor will deliver virtual (live) lectures via Zoom on Wednesdays from 11:30 a.m. to 2:30 p.m. during the first three weeks of the term.**

**During the first three weeks of the term, the students are expected to join the Zoom meetings at scheduled class meeting time by clicking on the Zoom meeting link posted under the “Live Virtual lectures” tab in eClass.** Please note that during the live lecture sessions the students will get ample opportunities to interact and ask questions to the instructor. You will NOT need meeting ID and password if you join the ZOOM lecture sessions via eClass.

To accommodate the students who may be unable to attend the live lectures, the recordings of all live Zoom lectures will be posted in eClass as long as the instructor does not face any technical problems while recording the live lectures.

*Please note that 1) the recordings should be used for educational purposes only and as a means for enhancing accessibility; 2) students do not have permission to duplicate, copy and/or distribute the recordings outside of the class (these acts can violate not only copyright laws but also [FIPPA](#)); and 3) all recordings will be destroyed after the end of classes.*

All of the required assessments of this course, including the submission of quizzes, assignments, and test-taking (both midterm and final, subject to confirmation), will be administered through the eClass course website.

## LIVE VIRTUAL OFFICE HOURS

The course instructor will hold weekly virtual office hours via ZOOM on **Thursdays 4:30 to 5:30 pm (Toronto Local Time)**. The students are expected to join the Zoom meetings at scheduled office hours by clicking on the Zoom meeting link posted under the “Live Virtual Office Hours” tab in eClass. The students can ask any course related questions directly to the instructor during ZOOM office hours. You will NOT need meeting ID and password to join the ZOOM office hours. You will NOT need meeting ID and password if you join the ZOOM office hours via eClass.

## TECHNICAL REQUIREMENTS FOR TAKING THE COURSE

Several platforms will be used in this course (e.g., eClass, Zoom, MyLab, etc.) through which students will interact with the course materials, the course director / TA, as well as with one another. Please review the syllabus to determine how the class meets (in whole or in part), and how office hours and presentations will be conducted. Students shall note the following:

- Zoom is hosted on servers in the U.S. This includes recordings done through Zoom.
- If you have privacy concerns about your data, provide only your first name or a nickname when you join a session.
- The system is configured in a way that all participants are automatically notified when a session is being recorded. In other words, a session cannot be recorded without you knowing about it.

Technology requirements and FAQs for Moodle can be found here - <http://www.yorku.ca/moodle/students/faq/index.html>

In addition to stable, higher-speed Internet connection, these students will need a computer/laptop with webcam and microphone, and/or a smart device with these features.

Here are some useful links for student computing information, resources and help:

[Student Guide to eClass](#)

[Zoom@YorkU Best Practices](#)

[Zoom@YorkU User Reference Guide](#)

[Computing for Students Website](#)

[Student Guide to eLearning at York University](#)

To determine Internet connection and speed, there are online tests, such as [Speedtest](#), that can be run.

### **COURSE WEBPAGE**

<https://eclass.yorku.ca/eclass/my/>

All of the required assessments of this course, including the submission of quizzes, active learning activities (ALA), and test-taking (both midterm and final, subject to confirmation), will be administered through the eClass course webpage. The course outline, important course announcements and information, lecture slides, ZOOM meeting links for the live virtual lectures and office hours, recordings of the live virtual lectures, and other course related materials will be posted there.

### **COURSE DESCRIPTION**

Studies the principal financial institutions and markets in the Canadian economy. Analyzes the economic function, regulation, and operational features of these institutions and markets. Considers the corresponding institutions and markets in other countries.

### **PREREQUISITES:**

AP/ECON 1000 3.00 and AP/ECON 1010 3.00 or equivalents.

### **COURSE CREDIT EXCLUSIONS**

GL/ECON 3380 3.00

### **PRIOR TO FALL 2009: COURSE CREDIT EXCLUSIONS**

AK/ECON 3430 3.00, GL/ECON 3380 3.00.

### **REQUIRED TEXTBOOK**

You can choose one of the following four options to fulfill the textbook requirement.

#### **Option 1:**

The Economics of Money, Banking and Financial Markets, 7<sup>th</sup> Canadian Edition, Frederic Mishkin and Apostolos Serlitis Pearson Education (MyLab with Pearson eText only). [MS]

**PLEASE NOTE THAT THE TEXTBOOK OPTION 1 (EBOOK PLUS MYLAB) IS AVAILABLE FOR PURCHASE FROM THE YORK UNIVERSITY BOOKSTORE WEBSITE: <https://bookstore.yorku.ca/>**

**Option 2:**

The Economics of Money, Banking and Financial Markets, 7<sup>th</sup> Canadian Edition, Frederic Mishkin and Apostolos Serlitis Pearson Education (MyLab with Pearson eText plus loose leaf).

**Please note that you will be able to purchase a loose-leaf version of the textbook, if you want, as an upgrade from the Pearson website only after buying an eText with MyLab. The publisher is NOT selling a bound version of the textbook.**

**Option 3:**

Used 7<sup>th</sup>, 6<sup>th</sup> or 5<sup>th</sup> Canadian edition of the textbook plus an access to the MyLab course website. Note that you can purchase a standalone access to the MyLab course website at the time of registering into the MyLab course.

**TEXTBOOK WEBSITES**

<http://www.pearsoncanada.ca>  
[www.pearsonmylabandmastering.com](http://www.pearsonmylabandmastering.com).

**COURSE GOALS AND LEARNING OUTCOMES**

In this course, the students will learn the tools for critical thinking about the Canadian banking and financial system - its problems and issues, the Canadian financial structure and regulations, and the Canadian monetary policy. The course is focused on developing student skills at both theoretical and empirical critical thinking, problem solving, applying theories to analyze and explain Canadian financial market problems and issues, and oral presentation. In-class active learning activities, online timed quizzes, and online practice problem sets will be used to help students achieving these learning outcomes.

By the end of the course the students are expected to learn the answers to the following questions:

1. What is the main function of financial market?
2. What are the main money market and capital market instruments?
3. What is the role of financial intermediaries in the financial market? Why do they exist in the financial market?
4. Why and how does the Canadian government regulate the financial market?
5. What is money? What are the main functions of money?
6. What is the meaning of interest rates? How do we measure the interest rates of different types of debt instruments?
7. How is the interest rate determined in the bond market and money market?
8. How does the change in expected inflation affect the interest rate?
9. How does the change in aggregate economic activities (i.e., economic boom and recession) affect the interest rate?
10. Why does the long-term interest rate tend to move together with the short-term interest rate?
11. Why is the interest rate on the long-term government bond lower than the long-term corporate bond?
12. Does a higher rate of growth of the money supply lower interest rates?
13. What does the shape of the yield curve indicate about the future short-term interest rate and inflation rate, and the business cycle?

14. Why are the stock prices so volatile?
15. What are the eight basic facts about the Canadian financial structure? Explain how these facts can be explained using economic theories.
16. What are the types of financial regulation and how does each reduce asymmetric information problems?
17. How does a commercial bank manage its assets and liabilities to make the highest profit?
18. What are the main functions of the Bank of Canada?
19. How independent is the Bank of Canada? Should the Bank of Canada be independent?
20. Who are the main players in the money supply process? Which factors determine the money supply and how?
21. What is the money multiplier? Which factors influence the value of the money multiplier and how?
22. What is the Bank of Canada's approach to monetary policy? How does the monetary policy affect the economy?
23. How does the Bank of Canada maintain the overnight interest rate within the announced operating band?
24. What are the conventional and unconventional monetary policy tools of the Bank of Canada and how do they work?

## EVALUATION

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|--|-----|
| 1. Best Five out of Six Active Learning Activities (ALA)   | 10% |
| 2. Best Five out of Six Timed Quizzes                      | 10% |
| 3. Optional MyLab practice questions/ study plan questions | 0%  |

*The MyLab practice questions/ study plan questions are available on the MyLab course website. MyLab registration instructions and the MyLab course ID (TBA) will be posted on the eClass course webpage.*

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|-------------------|-----|
| 3. Online Midterm | 30% |
|-------------------|-----|
- The online midterm will be held on **February 16** during the regular lecture hours via eClass (subject to confirmation).*

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| 4. Online Final Exam | 50% |
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- The online final exam will be held on during the final exam period via eClass (subject to confirmation). Note that the final exam will cover all course materials.*

### **Special Rule for Transferring the Weight of the Midterm to the Final Examination:**

Please note that if a student gets a higher mark in the final exam than the midterm exam, the instructor will automatically transfer the weight of the midterm to the final exam. To get the benefit of transferring the weight of midterm of the final exam, a student **MUST** write the midterm exam and get a reasonable mark. If a student does not write the midterm exam without any valid excuse or just shows in the midterm exam and answers none of the questions completely, he or she will **NOT** be eligible for this special grading rule.

## POLICIES RELATED TO MISSING MIDTERM

- If a student misses the midterm examination due to an acceptable medical reason, technical difficulties during the exam, or for some unavoidable circumstances, the weight of his or her term test will be added to the final exam. **There will be no make-up midterm examination.**
- If you fail to write the midterm examination on the scheduled date, you must contact me during my virtual office hours or virtual lecture hours to explain why you have missed the midterm exam and provide the supporting documents **no later than 2 weeks after the missed midterm**. Please note that the instructor will NOT accept a photocopy or scanned copy of your supporting documents by e-mail. You should submit the supporting documents in eClass. You will be given instructions on how to submit these documents in eClass.
- If a student fails to write the midterm exam without any valid reason, he or she will get zero in the midterm exam and the weight of the missed midterm exam will NOT be transferred to the final exam.

## DEFERRED FINAL EXAM POLICY

Students must fill out the Deferred Standing Agreement form available at <http://www.registrar.yorku.ca/exams/deferred/index1.htm> and submit it along with all **original** supporting documentations **by e-mail to lapsecon@yorku.ca within 10 business days of the original exam date**. Please note the contact e-mail address for this particular purpose will be informed to the class later. Submitting the form does NOT guarantee permission to write the deferred exam. Only submissions that meet all requirements will be granted permission. If you are granted deferred standing, you will receive an e-mail from Economics Department with specific exam information. Students whose submissions are not granted will receive a zero for their final exam score.

Deferred Standing for the final exam will be considered only under the following circumstances:

1. **MEDICAL CIRCUMSTANCES:** Exams missed due to medical circumstances must be supported by a York Attending Physicians Statement filled out completely by a medical doctor or licensed psychologist/counselor, dated within **48 hours of the final exam date**. The statement must include:
  - Full name, mailing address, telephone number of the physician.
  - The nature of the illness and its duration (i.e., specific dates covered)
  - An indication of whether the illness and/or medication prescribed would have **SERIOUSLY** affected the student's ability to study and perform over the period in question.

The physician's office may be contacted to verify that the statement was actually completed by the physician.

- 2. NON-MEDICAL CIRCUMSTANCES:** Exams missed due to non-medical circumstances must be supported by appropriate documentation, i.e., death certificates, obituary notice, automobile accident reports, airline/bus ticket receipt for emergency travel (with the date of booking on the ticket), etc. Airline/train/bus ticket/receipts for emergency travel must indicate destination, departure, and return dates. Having to work at the time of the exam or non-emergency travel are not valid excuses for missing an exam.

## **CLASS ATTENDANCE/PARTICIPATION**

The students are expected to attend and actively participate in all live virtual lectures via Zoom. They should ask questions to the instructor, answer the Poll questions, and actively participate in the assigned Breakout Room activities such as brainstorming, buzz groups/discussion groups, problem-solving, and policy debates during live ZOOM lectures.

## **ACTIVE LEARNING ACTIVITIES (ALA) via eClass**

A set of problem solving and short answer questions, which will be referred to as ALA, will be posted in eClass as active learning activities (ALA) in this course. The students are expected to work on the problem sets and **submit the completed works as a single PDF file** in eClass by the due dates. There will be **6 active learning activities (ALA)** in this course. Each ALA is worth **2 marks**. If a student completes the works of an ALA and submit it in eClass by the due date, he or she will get 2 marks. On the other hand, if a student does not submit an ALA, he or she will get zero. The instructor will only count the marks of the **best 5 ALAs out of 6 ALAs**. **Please note that an ALA will be graded solely based on the completeness of the answers, not based on the correctness of the answers.**

## **SYLLABUS AND SCHEDULE OF ACTIVE LEARNING ACTIVITIES (ALA)**

<b>ALA</b>	<b>Tentative Syllabus</b>	<b>Posting Dates</b>	<b>Due Dates</b>
ALA 1	Chapter 2, 3	Jan. 21	Jan. 28
ALA 2	Chapter 4	Jan. 28	Feb. 4
ALA 3	Chapter 5	Feb. 4	Feb. 11
ALA 4	Chapter 6, 7	March 4	March 11
ALA 5	Chapter 8, 9, 12	March 25	April 1
ALA 6	Chapter 14, 15, 16	April 1	April 11

## **eClass TIMED QUIZZES**

- The six quizzes (Quiz 1, 2, 3, 4, 5, and 6) are worth 10% of the course grade. Only the best five out of the six quizzes will be counted. Each quiz is worth 2% of the course grade. Please note that there are no make-up quizzes. If you miss a quiz, the other six quizzes will be counted. For every quiz you miss after one missed quiz, you receive zero for 2% of your course grade.

- Each quiz has 15 multiple-choice questions which will appear sequentially. It means that once you select an answer to a quiz question and move to the next question, you will not be allowed to go back and change your choice for any of the previous questions that you have already answered. You will get only **1** attempt and **20** minutes to finish each quiz So, please make sure that you are well prepared and have uninterrupted 30 minutes before you start working on a quiz.
- **To do well in the eClass timed quizzes, you should study the assigned chapters in the textbook and the lecture slides, and view the recorded virtual lectures. You should also work out the MyLab practice questions/study plan questions.**

### **SYLLABUS AND SCHEDULE OF eClass QUIZZES**

<b>eClass Quizzes</b>	<b>Tentative Syllabus</b>	<b>Posting Dates</b>	<b>Due Dates</b>
Quiz 1	Chapter 2, 3	Jan. 21	Jan. 28
Quiz 2	Chapter 4	Jan. 28	Feb. 4
Quiz 3	Chapter 5	Feb. 4	Feb. 11
Quiz 4	Chapter 6, 7	March 4	March 11
Quiz 5	Chapter 8, 9, 12	March 25	April 1
Quiz 6	Chapter 14, 15, 16	April 1	April 11

### **ACADEMIC HONESTY AND INTEGRITY**

In this course, we strive to maintain academic integrity to the highest extent possible. Please familiarize yourself with the meaning of academic integrity by completing SPARK's Academic Integrity module at the beginning of the course. Breaches of academic integrity range from cheating to plagiarism (i.e., the improper crediting of another's work, the representation of another's ideas as your own, etc.). All instances of academic dishonesty in this course will be reported to the appropriate university authorities, and can be punishable according to the Senate Policy on Academic Honesty.



## READINGS/LECTURE PLAN

(Reference codes refer to the textbook mentioned above)

DATE	TOPICS	READINGS/ COMMENTS
Jan. 12	Course Outline; An Overview of the Financial System;	MS: Ch 2
Jan. 19	What is Money?	MS: Ch 3
Jan. 26	The Meaning of Interest Rates	MS: Ch 4
Feb. 2	The Behaviour of Interest Rates	MS: Ch 5
Feb. 9	The Risk and Term Structure on Interest Rates	MS: Ch 6
<b>Feb. 16</b>	<b>Tentative Midterm Exam Materials: Ch 2, 3, 4 and 5.</b>	<b>Midterm Exam will be held online during regular lecture hours in eClass (subject to confirmation).</b>
Feb. 23	Fall Reading Week	No Lectures.
March 2	The Stock Market, the Theory of Rational Expectations and the Efficient Market Hypothesis	MS: Ch 7
March 9	Economic Analysis of Financial Structure	MS: Ch 8
March 16	Economic Analysis of Financial Regulation	MS: Ch 9
March 23	Banking and Management of Financial Institutions	MS: Ch 12
March 30	Central Banks and the Bank of Canada; The Money Supply Process	MS: Ch 14, 15
April 6	The Money Supply Process; Tools of Monetary Policy	MS: Ch 15, 16

**Note:** Additional readings, if necessary, will be assigned during the term.

## 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; <http://www.yorku.ca/secretariat/policies/index-policies.html/>

- York's Academic Honesty Policy and Procedures/Academic Integrity Website

**Academic Honesty and Integrity:** 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, found on the York University Senate WEB page:

<http://www.yorku.ca/secretariat/policies/document.php?document=69>

- Ethics Review Process for research involving human participants  
<http://www.yorku.ca/secretariat/policies/document.php?document=94>
- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities  
<http://www.yorku.ca/secretariat/policies/document.php?document=68>
- Student Conduct Standards  
<http://www.yorku.ca/oscr/standards.html>
- Religious Observance Accommodation  
<https://w2prod.sis.yorku.ca/Apps/WebObjects/cdm.woa/wa/regobs>

### **Grading Scheme and Feedback (Senate)Policy:**

<http://www.yorku.ca/secretariat/policies/document.php?document=86>

### **Religious Observances Dates 2021-22:**

<http://www.registrar.yorku.ca/enrol/dates/religious.htm>

### **Fall/Winter 2021-22 Important Dates:**

<http://www.registrar.yorku.ca/enrol/dates/fw21>

	Winter Term 2022
Last date to add a course <b>without permission</b> of instructor (also see Financial Deadlines)	Jan. 23
Last date to add a course with permission of instructor (also see Financial Deadlines)	Feb. 7
Last date to drop a course without receiving a grade (also see Financial Deadlines)	March 18
<b>Course Withdrawal Period (withdraw from a course and receive a grade of "W" on transcript – see note below)</b>	<b>March 19 – April 10</b>

### **Important Academic Forms**

- Religious Accommodation - [http://registrar.yorku.ca/sites/registrar/files/pdf/exam\\_accommodation.pdf](http://registrar.yorku.ca/sites/registrar/files/pdf/exam_accommodation.pdf)
- Deferred Standing - [http://registrar.yorku.ca/pdf/deferred\\_standing\\_agreement.pdf](http://registrar.yorku.ca/pdf/deferred_standing_agreement.pdf)
- Attending Physician's Statement Form - <http://registrar.yorku.ca/pdf/attending-physicians-statement.pdf>