York University
Department of Economics
Faculty of Liberal Arts and Professional Studies
AP/ECON3430 A 3.0 – Monetary Economics I: Financial Markets and Institutions
Summer 2023

Instructor: George J. Georgopoulos
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Lecture Times and location: Tuesdays 2:30-5:30, CLH H ; Thursdays 2:30-5:30, SLH F

Required Text:	Frederic Mishkin, Apostolos Serlitis: ***The Economics of Money, Banking, and Financial Markets, 8***th Canadian Edition, Pearson Publishers. This text will be used extensively during the course and can be purchased at the York University Bookstore.

Grading:	Midterm: May 25th, class time	**5**0%
	Final Exam: T.B.A.	50%

Missed Midterm, Course Withdrawal

Students may miss 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.

Deferred Final Exam:

Mach form for submitting an ECON deferred exam request:
https://www.yorku.ca/laps/econ/undergraduate-programs/academic-resources/department-policies/deferred-standing/
Note: Students are not required to submit an Attending Physician Statement or medical document for deferring a final exam impacted by the COVID-19 situation.

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"

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;
"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

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;

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;
Markus Brunnermeirer, "Deciphering the Liquidity and Credit Crunch 2007-2008", *Journal of Economics Perspectives,* Vol. 23, Nunber 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.

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

	Winter Term 2020 (W21)
Last date to add a course **without permission** of instructor (also see Financial Deadlines)	May 12
Last date to add a course **with permission** of instructor (also see Financial Deadlines)	May 19
Last date to drop a course without receiving a grade (also see Financial Deadlines)	June 5
Course Withdrawal Period (withdraw from a course and receive a grade of “W” on transcript)	June 13 – June 16

For other important dates, visit **https://registrar.yorku.ca/enrol/dates/2022-2023/summer**

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.