

University of Waterloo
Department of Economics
ECON 206, Section 002
Money and Banking 1
Spring 2018
Tuesday and Thursday, 10:00 a.m. – 11:20 a.m.
Classroom: STC 0060

Instructor and T.A. Information

Instructor: M. Vaughan

Office: HH 102

Office Hours: Wednesday 9:00 a.m. – 12:00 p.m., or by appointment.

Phone: ext. 36825

Email: mvaughan@uwaterloo.ca

Webpage: <http://economics.uwaterloo.ca/mary-ann-vaughan>

Notes on office hours or contacting instructor

- When sending email, "Econ 206" must appear in the subject line and the message must include your full name and ID number.
- Please use email for administrative concerns only. I will be available during office hours, or by appointment, to discuss course material.

Course Outline

This course outline will be available at two locations for the duration of the term:

1. [Department of Economics website](#)
2. [LEARN website](#)

Course Description

In this first course on Money and Banking, we will survey the following broad topics: money, financial markets, interest rates, financial institutions, regulation, central banking and the conduct of monetary policy in practice and in theory.

Course Objectives

Upon completion of this course, students should be able to:

- Understand money, its forms and functions.
- Understand interest rates and the markets in which they are determined.
- Understand the history and importance of regulation in the financial sector.
- Understand the history, features, and functions of the Bank of Canada.
- Understand the implementation of monetary policy in Canada.
- Gain familiarity with some macroeconomic models.

Required Text

- Mishkin, Frederic S. and Apostolos Serletis, **The Economics of Money, Banking, and Financial Markets**, 6th Canadian Edition. Toronto: Pearson, 2016.

Additional Resources Available on LEARN

The lecture overhead slides are posted on [LEARN](#) at: 1185, ECON 206, Spring 2018

- The LEARN site is down occasionally. Download the slides to your computer. Always be prepared!
- Students writing tests and exams are responsible for saving course materials on Learn before the access to their courses is shut off (normally on the first day of classes of the next term).

Course Outline

Part 1: Introduction

Chapter 1: Why Study Money, Banking, and Financial Markets?

OMIT Appendix pgs. 19 -21

Chapter 2: An Overview of the Financial System

Chapter 3: What Is Money?

OMIT Money As a Weighted Aggregate pgs. 62 – 63

Part 2: Financial Markets

Chapter 4: The Meaning of Interest rates

Chapter 5: The Behaviour of Interest Rates

Part 3: Financial Institutions

Chapter 10: Economic Analysis of Financial Regulation

Chapter 11: Banking Industry: Structure and Competition

OMIT Comparison with the United States pgs. 263 - 266

Part 4: The Management of Financial Institutions

Chapter 12: Banking and the Management of Financial Institutions

OMIT Duration Analysis pg. 304

OMIT Off-Balance Sheet Activities pgs. 305 - 308

Part 5: Central Banking and the Conduct of Monetary Policy

Chapter 14: Central Banks and the Bank of Canada

OMIT Structure and Independence of Foreign Central Banks pgs. 355 - 362

Chapter 16: Tools of Monetary Policy

OMIT Conventional Monetary Policy Tools pgs. 403 – 412

OMIT Non-Conventional Monetary Policy Tools During the Global Financial Crisis pgs. 413 – 426

Chapter 17: The Conduct of Monetary Policy

OMIT Should Central Banks Try To Stop Asset Price Bubbles? Pgs. 444 – 448

OMIT Tactics: Choosing The Policy Instrument Pgs. 448 – 451

OMIT Tactics: The Taylor Rule Pgs. 452 - 454

Part 7: Monetary Theory

Chapter 22: Monetary Policy and Aggregate Demand Curves

Chapter 23: Aggregate Demand and Supply Analysis PLUS Appendix

OMIT AD/AS Analysis of Foreign Business Cycle Episodes pgs. 591 - 595

Chapter 24: Monetary Policy Theory

OMIT Non-Conventional Monetary Policy and Quantitative Easing pgs. 624 - 630

Tentative Class Schedule

The following list is meant as a rough guideline. Short-term goals will be announced regularly.

| Week | Date | Topic | Chapters |
|-------------|-------------|---|-----------------|
| Week 1 | May 1, 3 | Introduction Why Study Money, Banking, and Financial Markets? An Overview Of the Financial System | 1, 2 |
| Week 2 | May 8, 10 | What is Money? The Meaning of Interest Rates | 3, 4 |
| Week 3 | May 15, 17 | The Behaviour of Interest Rates | 5 |
| Week 4 | May 24 | Economic Analysis of Financial Regulation | 10 |
| Week 5 | May 29, 31 | Banking Industry: Structure and Competition | 11 |

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|------------------------|-----------------------------------|---|--|
| Term Test 1 | Tuesday, May 29, 2018 | In class time. | Covers chapters 1, 2, 3, 4, 5 |
| Week 6 | Jun. 5, 7 | Banking Industry: Structure and Competition Banking and Management of Financial Institutions | 11, 12 |
| Week 7 | Jun. 12, 14 | Banking and Management of Financial Institutions Central Banks and the Bank of Canada | 12, 14 |
| Week 8 | Jun. 19, 21 | Tools of Monetary Policy The Conduct of Monetary Policy | 16, 17 |
| Term Test 2 | Tuesday, June 19, 2018 | In class time. | Covers chapters 10, 11, 12 |
| Week 9 | Jun. 26, 28 | The Conduct of Monetary Policy Monetary Policy and Aggregate Demand Curves | 17, 22 |
| Week 10 | Jul. 3, 5 | Monetary Policy and Aggregate Demand Curves Aggregate Demand and Supply Analysis + Appendix | 22, 23 |
| Week 11 | Jul. 10, 12 | Aggregate Demand and Supply Analysis + Appendix | 23 |
| Week 12 | Jul. 17, 19 | Monetary Policy Theory | 24 |
| Week 13 | Jul. 24 | Monetary Policy Theory | 24 |

Course Requirements and Assessment

The course grade will be based on three in-class quizzes and a final examination which will be held during the Official Examination Schedule. The breakdown is as follows:

| Assessment | Chapters | Date of Evaluation | Weighting |
|-------------|------------------|---------------------------------|-----------|
| Term Test 1 | Ch 1, 2, 3, 4, 5 | Tuesday, May 29, in class time | 25% |
| Term Test 2 | Ch 10, 11, 12 | Tuesday, Jun. 19, in class time | 25% |
| Final Exam | Comprehensive | TBA (between July 28 – Aug. 11) | 50% |
| Total | | | 100% |

Notes

- The format for the term tests will be multiple choice questions. The final exam will be multiple choice.
- The term tests will be written during class time.
- Term test grades will be posted on Learn.
- The final exam period for Spring Term 2018 is July 28 to August 11 inclusive. Students are expected to be available during this time. Travel plans are not acceptable grounds for granting an alternative final examination time. (See [Registrar's Office Examinations and Related Matters](#))
- The date and time for the final exam will be determined by the Registrar's Office.
- The final exam schedule is posted online, will be announced in class, and posted on LEARN.
- Only the Registrar's Office can issue final grades

Examination Policy

Missing a Midterm Due to Illness During the Term

- Missing a quiz will automatically result in a grade of zero for that quiz. If the illness can be documented with a UW Verification of Illness Form (the only acceptable document), with approval you may transfer the weight of the missed quiz to the final exam. This remedy is a privilege and not a right.
- Immediately upon your return, please deliver to me a **hard copy** of your medical document.
- The midterm schedule is set and will not be changed for any reason.

Missing the Final Exam Due to Illness

- Missing the final exam is a very serious matter which automatically results in a grade of zero for the final exam and possibly a failing grade for the course. Please carefully read the Economics Department policy on deferred final exams for instructions.
- No deferred final exam will be provided for students who missed all the exams (including the final exam) in this course. [Deferred Final Exam Policy](#).

Submission of Exam Papers

- Late submission of exam papers is not accepted and missed submissions will receive a grade of zero for whatever reason.
- Exam papers must be submitted in whole and on time in the exam room. Exam papers (a) not submitted on time, (b) submitted with missing pages, (c) submitted elsewhere, with the exception of students with permission to write in the AS Office, (d) or not received at all will receive a grade of zero for whatever reason.
- It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their section. Students writing exams in the wrong section will be assessed a **20% penalty** on the final exam grade. There will be no accommodation for possible differences in exam material or content.

Fee-Arranged Issues

Students are responsible for administrative matters concerning their course registration including fee arrangements. No make-up work or other remedies will be given for loss of access to LEARN and academic consequences arising from administrative issues with the Registrar's Office.

Late Work

N/A

Information on Plagiarism Detection

N/A

Electronic Device Policy

- **THIS IS A HANDHELD-DEVICE-FREE ZONE.**
- Turn off all handheld devices and put them away for the duration of the lecture.
- Laptop computers may only be used to view lecture material.
- Photographic devices are not permitted in class due to copyright and privacy issues.
- Audio or video recording devices are not permitted in class due to copyright and privacy concerns.

Attendance Policy

Class attendance is an integral part of the course. Although attendance is not formally taken, it is critical for understanding the course material. Students are responsible for all material covered whether they choose to attend lectures or not.

Classroom Protocols

- I do **NOT** lend my lecture notes to students for any reason.
- In order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behavior from every student. In particular, be punctual and turn off all audible ringers on all devices during class.

- As a courtesy to others, no eating in class please. If you have coffee, water, etc., please dispose of your garbage when you leave the classroom.
- No private conversations in class will be tolerated

Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity Webpage \(https://uwaterloo.ca/academic-integrity/\)](https://uwaterloo.ca/academic-integrity/) and the [Arts Academic Integrity Office Webpage \(http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility\)](http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offenses, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, **including writing exams in a section that you are not registered in**, disciplinary penalties will be imposed under [Policy 71 – Student Discipline](#). For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties \(http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm\)](http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm).

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances, Section 4](#). In addition, read [the Student Grievance Process](#) for the Faculty of Arts.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](#).

Other sources of information for students

[Academic integrity \(Arts\) Academic Integrity Office \(uWaterloo\)](#)

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services office](#), located in Needles Hall Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.