

ST. FRANCIS XAVIER UNIVERSITY
Faculty of Arts
Department of Economics

ECON 335: Money & Financial Markets I
Fall 2020

Instructor: Greg Tkacz
Office: Mulroney Hall 3075
Office Hours:

By appointment only, in person or online. I will be taking appointments during the following days and times, with minimum 24 hours' notice:

- Monday 11AM to noon
- Tuesday 9AM to noon
- Wednesday 10AM to noon

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Lectures: Monday 9:45 – 11:00 & Wednesday 8:15 – 9:30 in SCHW 205

Description:

This course introduces students to money, monetary policy and financial markets. We will bridge the gap between macroeconomics and financial markets, showing how the two influence each other. We will analyze and scrutinize recent policy decisions to better understand the short and long-run consequences of the events of 2020 on both financial markets and the economy.

Learning Objectives:

This course has three objectives:

1. To expand students' knowledge of monetary theory by introducing them to different measures of the money supply and how changes in these can impact the economy and financial markets;
2. To show students how monetary policy is conducted in practice, including the range of issues that confront policy-makers, and the types of data they monitor; and
3. To allow students to make informed contributions to monetary policy and financial stability policy debates and discussions.

Evaluation:

- Quiz 1: Wednesday October 14 (25%)
- Quiz 2: Monday November 16 (25%)
- Monetary Policy Report: Due November 25 (40%)
- Monetary Policy team presentation: Nov 25, 30 or Dec 2 (10%)

Quizzes 1 and 2 will be done online on Moodle during normal class hours, and will consist of questions designed to test your knowledge of material covered in class. The quizzes will NOT be cumulative. Students may write these quizzes at home, or if they're on campus, they can write them in the quiet environment of the classroom, provided they bring their own electronic device to write the quiz.

Working in a team of 3 or 4 students, the Monetary Policy Report will be a major analytical piece, approximately 15 pages in length, that requires your team to provide a policy recommendation to the Governor of the Bank of Canada (i.e. ME) and to justify your recommendation based on your analysis of recent financial and economic developments, both domestic and foreign. You will further discuss your outlook of major economic variables, such as GDP growth and inflation, and outline the risks that could impact your outlook. These risks could be economic, geo-political, or pandemic-related. Work on the report will need to begin in September, and updated as new data and information becomes available throughout the semester. This project will improve your ability to locate, download, transform, analyze and interpret data. It will also test your communication skills, both written and verbal.

The team presentation will require all team members to present their report, and to defend their policy recommendations. For example, a team of four could divide their presentation along these lines: (1) financial developments; (2) international economic developments; (3) Canadian economic developments; and (4) outlook and recommendation. The presentation might be done in class or online.

Textbook and Readings:

1. Wright, Robert E. (2012) *Money and Banking*. Saylor Foundation: Open Textbook Library, ISBN: 978098204308. FREE textbook that can be downloaded from <https://open.umn.edu/opentextbooks/textbooks/29>
2. Bank of Canada *Monetary Policy Report*, latest issues <https://www.bankofcanada.ca/publications/mpr/>
3. We will monitor current economic and financial developments in the media. Popular sources include *The Globe and Mail*, *National Post* and *The Chronicle-Herald*.

Topics:

Part I: Introduction

- Chapter 2: The financial system
- Recent economic and financial developments

Part II: Financial Asset Prices, Financial Crises and Financial System Policy

Chapter 4: Interest Rates

Chapter 5: The Economics of Interest Rate Fluctuations

Chapter 6: The Economics of Interest Rate Spreads and the Yield Curve

Chapter 7: Rational Expectations, Efficient Markets, and the Valuation of Corporate Equities

Chapter 12: The Financial Crisis of 2007-2008

Part III: Money and Monetary Policy

Chapter 3: Money

Chapter 13: Central Bank Form and Function

Chapter 14: The Money Supply Process

Chapter 15: The Money Supply and the Money Multiplier

Chapter 16: Monetary Policy Tools

Chapter 17: Monetary Policy Targets and Goals