McGill University

Department of Economics

Money, Banking and Government Policy (ECON302)

Instructor Contact Information:
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Office hours: Wednesdays 11:00pm-12:00pm; Tuesdays & Thursdays 1:30pm-2:30pm or by appointment

Regular classes:
Times: Tuesdays and Thursdays 11:35am-12:55pm
Room: EVO420 101

Teaching Assistants Office hours TA sessions
Michael Doucette TBA Mondays 10:05-10:55am LEA517
Qi Xu TBA Tuesdays 5:30-6:30pm LEA517
Yu Shi TBA Mondays 6:05-6:55pm LEA517

Course Overview: This course is designed to introduce the fundamental principles of monetary and financial economies, management and internal governance of banks, policy design and banking regulations. The contents include interest rates, money demand and supply, new trends and development in banking, role and functions of the central bank, role of financial institutions, currency war, financial crisis, etc. The objective is to help students to build on analytical skills using methodologies, such as basic algebra and graphical analysis, institutional analysis, and case studies to solve real world economic problems.


Reference book: Jagdish Handa, Monetary Economics.

Course Evaluation:
Participation and attendance ......................... 10%
Midterm Examination ................................. 30%
Written Project ................................. 20%
Final examination ................................. 40%
Examinations: There will be two exams.

Midterm exam is scheduled on Oct. 8th, 2019.

Final exam: TBA.

All examinations will be closed-note, closed book.

There will be a supplemental examination which will be worth 100% of your final grade.

McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr/honest/ for more information).

In accord with McGill University’s Charter of Students’ Rights, students in this course have the right to submit in English or in French any written work that is to be graded.

Projects: You must work in groups. Each group contains 5 members. In your term paper, you will investigate an important topic in international finance covered in this course. You will submit the topic of your choice and a one-page draft of your analysis to me no later than Oct 15th, 2019. The final version of your term paper should be submitted no later than Dec. 5th at 5pm. Only the final version will be graded.

The final version of your term paper should not exceed 10 pages and should be double spaced; single sided with 12-point font. The project guideline and the grading criteria will be posted on MyCourses.

The due date for submitting the paper will be at 5:00 pm on Dec 5th, 2019. No exceptions will be made concerning this due date except with the written permission of your department chair.

Readings: You are encouraged to read the Wall Street Journal and the Financial Times. I will choose several articles from these two journals and we will discuss them in our classes. Other assigned readings will be posted on MyCourses.

Attendance: Attendance and participation are worth 10% of your final grade. I will take attendance at every class. There will be 26 lectures. You will earn 1 point each time you attend class (except the exam dates), for a maximum of 20 points. Therefore, you could miss a few classes without affecting your attendance score.

How to use MyEconlab for this course: There will be an assignment for each topic on MyEconlab. There will be three TA sessions every week to explain the assignment and answer your questions. Please note the assignments from MyEconlab will not be graded by the instructor and it’s optional to purchase MyEconlab.

COURSE OUTLINE
I. Introduction
   1. Why study Money, Banking, and Financial Markets
   2. An Overview of the Financial System
   3. What is Money? The Demand for Money
   4. Case study: Cryptocurrency
      Readings: Chapter 1, 2, 3 & 20

II. Financial Markets and Financial Institutions
   1. The Meaning of Interest Rates
   2. The Behavior of Interest Rates
   3. The Stock Market
   4. The Theory of Rational Expectations and the Efficient Market Hypothesis
   5. In-Class Experiment: Guessing the numbers
   6. In-Class Experiment: Bank Run
   7. Case study: The Black Swan Theory and Stories
      Readings: Chapter 4, 5, & 7.

III. Central banking and the Conduct of Monetary Policy
   1. Central Banks
   2. The Money Supply Process
   3. Tools of Monetary Policy
   4. The Conduct of Monetary Policy
   5. Case study: The Currency War
      Readings: Chapter 14, 15, 16, & 17.

IV. Monetary Theory
   1. The quantity theory of money
   2. Monetary Policy Theory
   3. The Role of Expectations in Monetary Policy
   4. Transmission Mechanisms in Monetary Policy
      Readings: Chapter 20, 24, 25, & 26

V. International Finance and Currency Attacks
   1. The Foreign Exchange Market and the International financial System
   2. Currency attacks
   3. Online experiment: Currency attack
      Readings: Chapter 18 & 19.