

McGill University

Department of Economics

## Money, Banking and Government Policy (ECON302)

Fall 2020

### Instructor Contact Information:

Dr. Lingling Zhang

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Facebook group: McGill ECON 302 2020 FALL

Twitter : @linglingzhang3 (Hashtag : #mge30220)

Office: LEA434

Office hours: Wednesdays 10:30am-11:00pm; or by appointment.

*The office hours will be offered through zoom meetings on MyCourses. You may post your questions in our Facebook group where the instructor will respond. All students are encouraged to help your peers to answer the posted questions. Joining the Facebook group is optional.*

### Regular classes:

**Times:** Mondays and Wednesdays 4:05pm-5:25pm

**Room:** LEA26

*All classes will be offered on-line with a mix of pre-recorded videos and zoom meetings. All the materials will be available on MyCourses.*

### Teaching Assistants

Javad Samieenia

### Office hours

TBA

### TA sessions

TBA

*All TA office hours and conferences will be offered through zoom meetings on MyCourses.*

**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.

**Textbook:** Mishkin, F.S. and A. Serletis, *The Economics of Money, Banking, and Financial Markets*, Canadian Edition, 7/E, MyEconlab with Pearson eText---Instant Access---Access card package

### Course Evaluation:

Assignments .....	20%
Midterm Examination.....	20%
Written Project .....	30%
Final examination .....	30%

Note that there will be no flexibility of the grading scheme above. For example, the weight on one item can not be transferred to another.

**Examinations:** There will be two exams.

Midterm exam is scheduled on **Oct. 28th, 2020**.

Final exam will be timed open book exam scheduled by the university during the final exam period.

**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/](http://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.

**Assignments:** There will be approximately 10 assignments which will be worth of **20%** of your final grade. All the assignments will be posted on MyCourses and should be submitted on MyCourses no later than the deadlines. No tardy assignments will be graded.

**Written Project (Term Paper): The due date for submitting the final version of your paper will be at 5:00pm on December 2nd, 2020. Your paper will be worth 25% of your final grade. No exceptions will be made concerning this due date except with the written permission of your department chair.**

In your term paper you will investigate an important topic covered in our class. Feel free to work in teams (each team should not include **more than** 5 members). Working independently is allowed.

A proposal including the topic of your term paper and the list of all members in your team should be submitted to me no later than 5:00pm **Oct. 7th, 2020**. The proposal will be **worth 5%** of your final grade. No tardy proposal will be accepted.

The final version of your term paper should not exceed 10 pages and should be double spaced; single sided with 12 point font. Feel free to ask me questions that are not included here. **The project guideline and the grading criteria** will be posted on MyCourses.

**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.

**How to use MyEconlab for this course:** There will be assignments on MyEconlab. There will be TA sessions every week to explain the assignment and answer your questions.

## **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. On-line Experiment: Guessing the numbers
6. 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
4. Case study: The Currency Attack in Hong Kong in 1999.  
Readings: Chapter 18 & 19.