

FINANCIAL INSTITUTIONS AND POLICY

Course Outline

Fall 2019

Financial Instit course outl Fall-2019 9/1/2019 3:19 PM

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Introduction

Welcome to this course on Financial Institutions and Policy.

Financial institutions play a major role in facilitating trade and promotion of efficient allocation of resources nationally and internationally. Well functioning financial institutions and financial markets contribute significantly to improvements in average standards of living. Badly managed financial institutions and financial markets are a heavy burden on economic development and social welfare. They retard economic development and create catastrophic economic disturbances.

In the first part of this course, we study the characteristics of both the well functioning and the badly managed financial institutions and financial markets. Although we can rely on the invisible hand to promote well functioning financial institutions and financial markets, unfortunately more often than not this is not the case. For the invisible hand to work properly, it needs perfect information. However, financial institutions and markets are in the business of providing information and keeping track of it. Thus, it is impossible for the invisible hand to guide them properly since it relies on self interest and the information they collect. The managers and owners of financial institutions and markets are constantly in situations of conflict of interest. There is a need to create checks and balances to prevent the conflict of interest from derailing the invisible hand. This is the role of economic policy.

In the second part of this course, we study the design of economic policy mechanisms that promote the well functioning of financial of institutions and financial markets including foreign exchange markets, learning from past mistakes with the help of the study of current and past real world national and international financial arrangements.

Recommended Textbook: F. S. Mishkin and A. Serletis, MS, "The Economics of Money, Banking and Financial Markets" Pearson Seventh Canadian Edition

Topics Schedule

Week	Topic	MS (7th)	MS (Old)
Week 1: Sept 4-Sept 6	Financial intermediation and its economic costs	8	8
Week 2: Sept 9-Sept 13	Financial intermediation and its economic costs	11	9
Week 3: Sept 16-Sept 20	Performance of Banking industry	10, 12	11, 13
	Non-banking financial institutions		12
Week 4: Sept 23-Sept 27	Protecting the financial system against itself: Financial Regulations	9	10
Week 5: Sept 30- Oct 4	Protecting the protector: Central banks and Politicians	14	15
Week 6: Oct 7 - Oct 11	Money Supply	15	16
Week 7: Oct 14 – Oct 18	Tools of monetary policy and Monetary policy goals	16, 17	17, 18
Week 8: Oct 21 – Oct 25	Inflation and the demand for money	20	21
Week 9: Oct 28 – Nov 1	Fall Study Break		
Week 10 Nov 4- Nov 8	Equilibrium in the products market, IS curve	21	22
Week 11: Nov 11- Nov 15	The aggregate demand curve	22	23

Week 12: Nov 18- Nov 22	Keynesian equilibrium	23	24
Week 13: Nov 25- Nov 29	Application of Monetary policy	24	25
Week 14: Dec 2– Dec 6	Application of Monetary policy	25	26

Marking system

	Date	Grading System
Test 1	October 2, 2019	7.5
Test 2	December 4, 2019	7.5
Midterm Exam	October 24, 2019, 5:30 pm -6:45 pm Please let me know if there is a conflict with your other classes	30
Assignments	See Schedule Below	15
Final Exam	See registrar's schedule	30
Paper	Final version: November 30, 2019	10

Assignment Schedule

Assignment	Date of Distribution	Due date
1	September 20, 2019	September 30, 2019
2	September 30, 2019	October 9, 2019
3	November 11, 2019	November 20, 2019

Assignments must be handed in at the beginning of the class of the due date day.

If you are a student with documentation for accommodations who anticipates needing supports or accommodations, please contact Marissa McIsaac, Accessibility Resource Facilitator at 902-585-1520, disability.access@acadiau.ca or Emily Duffett, Accessibility Officer, 902-585-1823, disability.access@acadiau.ca. Accessible Learning Services is located in Rhodes Hall, rooms 111-115.