

FINANCIAL INSTITUTIONS AND POLICY

Course Outline

Fall 2021

Financial Instit course outl Fall-2021 9/28/2021 4:56 PM

Professor: H. Moussa

Office Location: BAC 347
Office Telephone: (902) 585 1511
Email Address: moussa@acadiu.ca
Office Hours: Monday and Wednesday: 2:00 pm - 3:30 pm

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:	Financial intermediation and its economic costs	8	8
Week 2: sept 13- sept 17	Financial intermediation and its economic costs Financial crisis	9	11
Week 3: sept 20- sept 24	(Regulations old ch 10) Banking structure (chapter 11 old)	10,11	9, 10
Week 4: sept 27- Oct 1	Bank performance management of Balance sheets	13	12
Week 5: Oct 4 - Oct 8	Protecting the protector: Central banks and Politicians	14	15
Week 6: Oct 11 - Oct 15	Money Supply	15	16
Week 7: Oct 18 - Oct 22	Tools of monetary policy and Monetary policy goals	16, 17	17, 18
Week 8: Oct 25 - Oct 29	Fall study break - no classes		
Week 9: Nov 1- Nov 5	Inflation and the demand for money	20	21
Week 10: Nov 8- Nov 12	Equilibrium in the products market, IS curve	21	22
Week 11: Nov 15- Nov 19	The aggregate demand curve	22	23
Week 12: Nov 22- Nov 26	Keynesian equilibrium	23	24
Week 13: Nov 29 - Dec 3	Application of Monetary policy	24,25	25,26

Marking system

	Date	Grading System
Test 1	October 6, 2021	7.5
Test 2	November 26, 2021	7.5
Midterm Exam	October 20, 2021	30
Assignments	See Schedule Below	15
Final Exam	See registrar's schedule	30
Paper	Final version: December 1, 2021	10

Assignment Schedule

Assignment	Date of Distribution	Due date
1	September 24, 2021	October 4, 2021
2	October 4, 2021	October 13, 2021
3	November 10, 2021	November 19, 2021