

FINANCIAL INSTITUTIONS AND POLICY

Course Outline

Fall 2018

Financial Instit course outl Fall-2018 9/11/2018 5:27 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 Fifth Canadian Edition

Topics Schedule

Week	Topic	MS
Week 1: Sept 5-Sept 7	Financial intermediation and its economic costs	8,9
Week 2: Sept 10-Sept 14	Performance of Financial Institutions	11, 13
Week 3: Sept 17-Sept 21	Non-banking financial institutions	12
Week 4: Sept 24-Sept 28	Protecting the financial system against itself: Financial Regulations	10
Week 5: Oct 1- Oct 5	Protecting the protector: Central banks and Politicians	15
Week 6: Oct 10 - Oct 12	Money Supply	16
Week 7: Oct 15 – Oct 19	Tools of monetary policy and Monetary policy goals	17,18
Week 8: Oct 22 – Oct 26	Inflation and the demand for money	21
Week 9: Oct 29 – Nov 2	Equilibrium in the products market, IS curve	22
Week 10 Nov 5- Nov 9	The aggregate demand curve	23
Week 11: Nov 12- Nov 16	Remembrance Day, Fall Study Break	
Week 12: Nov 19- Nov 23	Keynesian equilibrium	24
Week 13: Nov 26- Nov 30	Application of Monetary policy	25
Week 14: Dec 3 – Dec 5	Application of Monetary policy	26

Marking system

	Date	Grading System
Test 1	October 3, 2018	7.5
Test 2	November 26, 2018	7.5
Midterm Exam	October 24, 2018	30
Assignments	See Schedule Below	15
Final Exam	See registrar's schedule	30
Paper	Final version: November 30, 2018	10

Assignment Schedule

Assignment	Date of Distribution	Due date
1	September 24, 2018	October 1, 2018
2	October 1, 2018	October 10, 2018
3	November 7, 2018	November 21, 2018

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