



University of International Business and Economics International Summer School

FIN 207 Money, Banking and Financial Markets

Term: May 25 – June 25, 2020

Instructor: Xuefeng Pan

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Class Hours: Monday through Thursday, 120 minutes each day (2,400 minutes in total)

Office Hours: Thursday 10am-12pm and by appointment

Discussion Session: 2 hours each week

Total Contact Hours: 64 contact hours (45 minutes each, 48 hours in total)

Credit: 4 units

Course Description

This course investigates how central banks, commercial banks and private sectors (households and firms) interact with each other to shape the exercise and the outcome of monetary policy. We first introduce the fundamental role of interest rates in the pricing of bonds and stocks, then we continue to discuss the determinants of interest rate as well as its risk structure and term structure. Next, we explore topics on money, such as the function, the measure, and the creation of money via multiple deposit process by commercial banks. In doing this, we would also understand the operation and the management of banks. Then, the course will review the process of money supply to illustrate the function and the mechanism of monetary policy tools, with a concentration on open market operation and quantitative easing practice. The next effort of the course is to explain, from a theoretical perspective, how money demand forms and how it interacts with money supply policy to shape the financial market and the real economy. Finally, we will examine, in a small open economy like Canada, how the world could affect domestic interest rates, money supply, inflation and output via changes in foreign exchange market, especially during a crisis time.

In order to enhance learning outcomes, practice and data of monetary policy by major central banks, including the Fed, Bank of Canada, Euro Central Bank and People's Bank of China will be used to demonstrate the points of above teaching contents. Students are also allowed to review their knowledge of intermediate macroeconomics beforehand.

Required Textbook

Economics of Money, Banking and Financial Markets by Mishkin, 12e, ISBN-10: 0134733827

Grading

Your class grading will be based on your performance on attendance, quizzes and the final exams, with the following weights and scale:

- 1) Attendance and Participation: 20%
- 2) Four Quizzes: 10 % each, 40% in total
- 3) Final Exam: 40%

A	90-100	C+	72-74
A-	85-89	C	68-71
B+	82-84	C-	64-67
B	78-81	D	60-63
B-	75-77	F	below 60

Note 1: There is NO make-up quiz and/or exam for ANY reason. If you miss any quiz for any reason, the weight of that quiz will automatically enter your final exam.

Note 2: Attendance will be recorded at each class. You are responsible for keeping track of your attendance. Leaving early after signing the attendance-sheet is considered cheating.

Quizzes

There is a total of four weekly quizzes. The purpose of quizzes is to keep you updated about lecture materials and to help you study for the final exam. Quiz questions will closely follow lecture materials and will be reflected in the final exam, though not in the same form.

Important Dates

May 25, 2020: First Class

June 25, 2020: Final Exam

Ground Rules

Free discussion of lecture topics is encouraged. If you have any questions, please feel free to ask. It is your responsibility to follow any announcements made during the class and/or via emails. No use of electronic devices during the class unless for notes taking and approved beforehand.

Course Schedule:

This is a tentative schedule of the class. The instructor may adjust the schedule and topics based on the progress of lecturing and the difficulties of topics.

Week 1: Introducing Money, Interest Rate and Financial Market	Lecture 1	Chapter 1 Why Study Money, Banking and Financial Markets?
	Lecture 2	Chapter 2 An Overview of the Financial System
	Lecture 3	Chapter 4 The Meaning of Interest Rate
	Lecture 4	Chapter 7 The Stock Market and the Efficient Market Hypothesis
Week 2: Exploring Interest Rates and Financial Market	Lecture 5	Chapter 5 The Behavior of Interest Rate
	Lecture 6	Chapter 6 The Risk and Term Structure of Interest Rate
	Lecture 7	Chapter 8 An Economic Analysis of Financial Structure
	Lecture 8	Chapter 9 Banking and the Management of Financial Institutions
Week 3: The Conduct of Central Banking and Bank of Canada	Lecture 9	Chapter 3 What is Money?
	Lecture 10	Chapter 14 Central Banks and Bank of Canada
	Lecture 11	Chapter 15 The Money Supply Process
	Lecture 12	Chapter 16 Tools of Monetary Policy
Week 4: The Theory of Money Policy and Macro Economy	Lecture 13	Chapter 17 The Conduct of Monetary Policy: Strategy and Tactics
	Lecture 14	Chapter 20 Quantity Theory, Inflation and Demand for Money
	Lecture 15	Chapter 21-22 The IS Curve, Monetary Policy and AD Curve
	Lecture 16	Chapter 24 Monetary Policy Theory
Week 5: Money Policy Exercise in Small Open Economy	Lecture 17	Chapter 18 The Foreign Exchange Market
	Lecture 18	Chapter 19 International Financial System
	Lecture 19	Chapter 13 Financial Crises in Emerging Economies
	Lecture 20	Class Review
Final Exam, on June 25, 2020		

Reading List:

Chapter 1 Why Study Money, Banking and Financial Markets?
Chapter 2 An Overview of the Financial System



- Chapter 3 What is Money
- Chapter 4 The Meaning of Interest Rate
- Chapter 5 The Behavior of Interest Rate
- Chapter 6 The Risk and Term Structure of Interest Rate
- Chapter 7 The Stock Market, Theory of Rational Expectation and Efficient Market Hypothesis
- Chapter 8 An Economic Analysis of Financial Structure
- Chapter 9 Banking and Management of Financial Institutions
- Chapter 13 Financial Crises in Emerging Economies
- Chapter 14 Central Banks: A Global Perspective
- Chapter 15 The Money Supply Process
- Chapter 16 Tools of Monetary Policy
- Chapter 17 The Conduct of Monetary Policy: Strategy and Tactics
- Chapter 18 The Foreign Exchange Market
- Chapter 19 The International Financial System
- Chapter 20 Quantity Theory, Inflation and the Demand for Money
- Chapter 21 The IS Curve
- Chapter 22 Monetary Policy and Aggregate Demand Curve
- Chapter 24 Monetary Policy Theory