



# ECON2050

## Money and Finance

Session 1, In person-scheduled-weekday, North Ryde 2024

*Department of Economics*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff  
Lecturer, Tutor, and Administrator  
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Thursday 11:00-12:00

Credit points  
10

Prerequisites  
ECON1021 or ECON110 or AFIN1002 or AFIN102

Corequisites

Co-badged status

Unit description  
This unit examines the evolution of money and finance from ancient times to the present. It provides students with an understanding of the nature of money, the role and characteristics of financial markets, and the instruments and institutions that affect them. The central theme is that innovation in money and finance has been as important as other types of innovation in shaping the modern world. Topics may include the nature of money, interest rate determination and the yield curve, central banking and the actions of monetary authorities, the innovations of behavioural finance and crypto-currencies, analyses of money markets, bond markets, equity and derivatives markets.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

- ULO1:** Identify, define and analyse contemporary issues in money and finance.
- ULO2:** Demonstrate a capacity to work independently, including the ability to research, form arguments and write professionally proficient short-discussion pieces.
- ULO3:** Critique the academic literature, examining alternative and creative ways of thinking about financial markets in business and policy environments.

## General Assessment Information

### Late Assessment Submission Penalty (written assessments)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of '0' will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.59 pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for [Special Consideration](#).

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Weekly Online Discussion</a>	20%	No	weekly
<a href="#">Online Test</a>	30%	No	Week 7
<a href="#">Final Examination</a>	50%	No	Exam Weeks

### Weekly Online Discussion

Assessment Type <sup>1</sup>: Participatory task

Indicative Time on Task <sup>2</sup>: 20 hours

Due: **weekly**

Weighting: **20%**

Every week, students are required to post their response to the discussion question in iLearn.

On successful completion you will be able to:

- Demonstrate a capacity to work independently, including the ability to research, form arguments and write professionally proficient short-discussion pieces.
- Critique the academic literature, examining alternative and creative ways of thinking about financial markets in business and policy environments.

### Online Test

Assessment Type <sup>1</sup>: Quiz/Test

Indicative Time on Task <sup>2</sup>: 16 hours

Due: **Week 7**

Weighting: **30%**

One-hour test will be held in week 7

On successful completion you will be able to:

- Identify, define and analyse contemporary issues in money and finance.

## Final Examination

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 35 hours

Due: **Exam Weeks**

Weighting: **50%**

A two-hour exam, consisting of true/false, short-answer, and essay-type questions, will be held during the University Examination Period.

On successful completion you will be able to:

- Identify, define and analyse contemporary issues in money and finance.
- Critique the academic literature, examining alternative and creative ways of thinking about financial markets in business and policy environments.

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<sup>1</sup> If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

<sup>2</sup> Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

## Delivery and Resources

This course is in hybrid mode. Alongside weekly Face-to-Face lectures, there will be a **live Zoom class** for enrolled students to attend the class remotely and participate in debates and questions regarding the lecture topics. These classes are scheduled at the same time **every Thursday at 13:00-14:00**. The Zoom link will be posted accordingly. There will be at least one or a maximum of two face-to-face (**Thursday at 14:00-15:00, &15:00-16:00**) and online Seminars

(**Thursday at 18:00-19:00, & 19:00-20:00**) for discussion and tutorials. The number of sessions will depend on enrollment.

All materials for the unit, such as pre-recorded lectures, lecture notes, readings, and discussion questions, will be available to students on the unit iLearn site at <http://ilearn.mq.edu.au>. Students are strongly encouraged to check the unit iLearn page weekly for announcements, the unit schedule, additional readings, assessment information, and discussion questions.

### **Recommended Textbooks and Materials**

The selected textbook for Econ2050 is **The Economics of Money, Banking and Financial Markets, 13th Global Edition**, by Frederic Mishkin. However, only a selection of chapters of this textbook will be covered, while the following texts and Materials are also recommended:

(i) Kidwell, D. et al. 2019, *Financial Markets, Institutions and Money* (4th ed), Australian Edition, John Wiley & Sons Australia.

(ii) Madura, J. 2018, *Financial Markets and Institutions* (12th ed.), Cengage Learning,

(iii) Niall Ferguson (2008) 'The Ascent of Money', Allen Lane (Penguin), London.

This book provides an overview of the history of money and finance (Topic 2, see below). What makes this different from most books recommended for courses such as this is that it is also great fun to read with an evolutionary/historical approach – full of drama, violence, scandal, passion, crime, and so on – in short, all the things that drive money and finance. It takes its story up to mid-2008. A television series on the book was also made in 2008, and it is available on YouTube simply by searching 'The Ascent of Money' and 'Niall Ferguson'.

(iv) Felix Martin (2014) 'Money: The Unauthorized Biography--From Coinage to Cryptocurrencies'. Here is the review of the book from the New York Times: <https://www.nytimes.com/2014/04/13/books/review/money-by-felix-martin.html>

(v) Mervyn King (2016) 'The end of Alchemy: Money, Banking and the future of the Global Economy'. Here is the review of the book from the New York Times: <http://www.nybooks.com/articles/2016/07/14/money-brave-new-uncertainty-mervyn-king/>

(vi) Glyn Davies (2016) 'A History of money from ancient times to the present day', 4th. Ed. Revised by Duncan Connors, Cardiff: University of Wales Press.

### **Other useful resources:**

[www.wsj.com](http://www.wsj.com)

[www.ft.com](http://www.ft.com)

[www.bloomberg.com](http://www.bloomberg.com)

[www.theeconomist.com](http://www.theeconomist.com) (note that you can get access to the Economist via the University subscription - go to the library and search The Economist)

[www.rba.gov.au](http://www.rba.gov.au)

### **Useful Podcast channels:**

### Money talk from the Economist

<https://podcasts.apple.com/gb/podcast/money-talks-from-the-economist/id420929545>

### Macro Voices

<https://www.macrovoices.com/podcasts-collection/macrovoices-podcasts>

## Technology Used and Required

iLearn; i-Lecture

## Unit Schedule

Week# (beginning date)  Topic#: Title
<b>Week1 (19 Feb)  Topic 1: Introduction</b> <p>This topic provides an overview of money and why we must study cash and finance. It also touches upon An Overview of financial systems, financial institutions, and all the topics to be discussed throughout this course (A selection of headings from <b>Chapters 1 &amp; 2</b>).</p>
<b>Week2&amp;3 (26 Feb &amp; 4 Mar)  Topic 2: The Evolution of Money in Theory and Practice</b> <p>This topic examines how money has evolved. The journey starts from barter and explores commodity money, precious metals, fiat currencies, and modern cryptocurrencies. We will look into the functions and attributes of money in ancient and contemporary societies. We will also discuss money aggregates in the macroeconomy (<b>Chapter 3, 'Ascent of Money'</b>, and other sources).</p>
<b>Week4 (11 Mar)  Topic 3: Interest Rates, their determination and structure</b> <p>This topic examines yield to maturity in four different types of bonds and distinguishes between yield to maturity (current yield), rate of return, and rate of capital gain. Further, we discuss nominal versus actual interest rates (<b>Chapter 4</b>).</p>
<b>Week5 (18 Mar)  Topic 4: Central Banking, Money Supply, and Monetary Policy</b> <p>In this topic, we look at key players in the money creation process, also known as the fractional reserve system. We will use principles of accrual accounting to make this explanation possible. We will explore the notions of monetary base and money multiplier. We then explain the crucial roles and functions of Reserve Banks (or central banks) in controlling the money supply. The importance of central bank independence and the implementation of monetary policy will also be discussed (<b>Chapter 15</b>).</p>
<b>Week6 (25 Mar)  Topic 5: Money Demand and Markets</b> <p>Following Topic 4, which explains the shape of money supply, this topic focuses on explaining the shapes of money demand from the short-run and long-run perspectives. The Classical Quantitative Theory of Money, the Keynesian approach, and Portfolio's theory of money will be well exposed (<b>Chapter 20</b>).</p>
<b>Week7 (1 Apr)  Online Test</b>
<b>Week8 (8 Apr)  Topic 6: Bond Markets</b> <p>This will examine the market for debt securities or bonds. More specifically, we will look at the history of bonds and the importance of bonds' demand and supply in determining interest rates. During this process, we also explain the inter-connectedness between the bond and money markets (<b>Chapter 5</b>).</p>
<b>Week9 (29 Apr)  Topic 7: Stock Markets</b> <p>This topic will look at another capital market: equity or stock. First, we'll calculate the price of common stock. We then recognise the impact of new information on stock prices. This will be followed by contrasting adaptive and rational expectations (<b>Chapter 7</b>).</p>

**Week10 (6 May)| Topic 8: Tools of Monetary Policy**

We will look at markets for reserves between commercial banks, where the federal fund rates are determined. We will also discuss open market operation, discount rate, and required reserve ratio policy instruments pre- and post-GFC (Chapter 16).

**Week11 (13 May)| Topic 9: The Conduct of Monetary Policies: Strategy & Tactics**

This topic examines the goals of monetary policy and then considers one of the critical strategies for conducting monetary policy: inflation targeting. We, first, will define the importance of a nominal anchor. Then, we identify six goals for monetary policymakers to pursue. In an international comparison, we distinguish between hierarchical and dual mandates. We then compare and contrast the advantages and disadvantages of each for inflationary targeting (Chapter 17).

**Week12 (20 May)| Topic 10: Derivatives and Options Markets**

In this topic, first, we will look at some basics, highlighting that derivatives began in a way for people in the real economy to manage risks (i.e., hedging). Then, we will get into some specific types of derivative markets, including forwards, futures, and options. Then, we will look at swaps, credit default swaps, and some lessons from the GFC (Chapter 13).

**Week13 (27 May)| Topic 11: Future of Money and Finance**

This topic will wrap up this subject unit with a general review and an analysis of the future of monetary systems.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://policies.s.mq.edu.au\)](https://policies.s.mq.edu.au). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Assessment Procedure](#)
- [Complaints Resolution Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#)

Students seeking more policy resources can visit [Student Policies \(https://students.mq.edu.au/support/study/policies\)](https://students.mq.edu.au/support/study/policies). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

To find other policies relating to Teaching and Learning, visit [Policy Central \(https://policies.mq.edu.au\)](https://policies.mq.edu.au) and use the [search tool](#).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/admin/other-resources/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) or released

directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## Academic Integrity

At Macquarie, we believe [academic integrity](#) – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free [online writing and maths support](#), [academic skills development](#) and [wellbeing consultations](#).

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

### The Writing Centre

[The Writing Centre](#) provides resources to develop your English language proficiency, academic writing, and communication skills.

- [Workshops](#)
- [Chat with a WriteWISE peer writing leader](#)
- [Access StudyWISE](#)
- [Upload an assignment to Studiosity](#)
- [Complete the Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

## Student Services and Support

Macquarie University offers a range of [Student Support Services](#) including:

- [IT Support](#)
- [Accessibility and disability support](#) with study
- Mental health [support](#)
- [Safety support](#) to respond to bullying, harassment, sexual harassment and sexual assault
- [Social support including information about finances, tenancy and legal issues](#)
- [Student Advocacy](#) provides independent advice on MQ policies, procedures, and



processes

## Student Enquiries

Got a question? Ask us via [AskMQ](#), or contact [Service Connect](#).

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

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Unit information based on version 2024.05 of the [Handbook](#)