



# ECON350

## Money and Finance

S1 Day 2019

*Dept of Economics*

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## General Information

Unit convenor and teaching staff

Unit Convenor

Ha Vu

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E4A 429

Thursday 11am -12, and by appointment

Credit points

3

Prerequisites

6cp at 200 level including (ECON203 or ECON204)

Corequisites

Co-badged status

Unit description

This unit provides a review and analysis of the role and characteristics of financial markets, institutions, and the instruments they trade. The workings of the Australian financial system are explored, but the unit is also very global in focus. Money and finance are examined both in terms of theoretical foundations and in practical application, and there is a strong preference for the use of history as a vehicle for providing perspective and insight. Topics include: the meaning and nature of money; techniques of selling and pricing securities; rational expectations; efficient markets; the innovations of behavioural finance; arbitrage and speculation; and in-depth analyses of the functions and features of money markets, bond markets, equity markets and the actions and presumptions of monetary authorities. The central theme of the unit is that innovation in money and finance has been as important as innovation anywhere else in shaping the modern world.

## 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:

Analyse and discuss key concepts in the professional literature of money and finance.

Identify, define and analyse contemporary financial market problems and solutions within

real-world constraints.

Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.

Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Online Assessments</u>	10%	No	Weeks 3, 5, 10, and 12
<u>Class Test</u>	20%	No	Week 7
<u>Assignment</u>	20%	No	4pm Thursday 2 May (Week 8)
<u>Final Examination</u>	50%	No	University Examination Period

### Online Assessments

Due: **Weeks 3, 5, 10, and 12**

Weighting: **10%**

There will be 2 online quizzes and 2 online discussions in this course, each worth 2.5%.

The opening and closing times and dates for each assessment can be found on ilearn.

*Late submission: Students who do not submit this task by the due date and time receive a result of zero. This penalty does not apply when an application for Special Consideration has been made and approved. Note: applications for Special Consideration Policy must be made within 5 (five) business days of the due date and time.*

On successful completion you will be able to:

- Analyse and discuss key concepts in the professional literature of money and finance.
- Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.

### Class Test

Due: **Week 7**

Weighting: **20%**

In **week 7** there will be a written Class Test for all students in Econ350.

The test will take place **the first hour of week 7 lecture**. Normal examination conditions will apply of course, and you must bring with you your official University ID card.

The test will be of **60 minutes**, and a **combination of true/false with explanation questions, and short-answer questions**.

Failure to attend the class test without the submission of an application for Special Consideration will result in a mark of zero.

If the application for Special Consideration is made and approved, students will have to take a **supplementary test which will include only short-answer questions**.

On successful completion you will be able to:

- Analyse and discuss key concepts in the professional literature of money and finance.
- Identify, define and analyse contemporary financial market problems and solutions within real-world constraints.

## Assignment

Due: **4pm Thursday 2 May (Week 8)**

Weighting: **20%**

The assignment will contain a number of discussion/explanation questions based on the provided articles. The assignment questions and related reading articles will be released on iLearn in due course.

### Submission

Before the due date and time the assignment **must be submitted through 'Turnitin'**.

Assignments not submitted through this programme will receive zero mark.

*Late submission: No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission incurs a 20% penalty). Late submissions will be accepted up to 96 hours after the due date and time. This penalty does not apply for penalty does not apply for cases in which an application for Special Consideration is made and approved. Note: applications for Special Consideration must be made within 5 (five) business days of the due date and time.*

On successful completion you will be able to:

- Analyse and discuss key concepts in the professional literature of money and finance.
- Identify, define and analyse contemporary financial market problems and solutions within real-world constraints.
- Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.
- Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

## Final Examination

Due: **University Examination Period**

Weighting: **50%**

The final examination will consist of true/false, short-answer, and essay-type questions. Further details relating to the number of questions and so on will be given closer to the Exam.

This two hour final exam will be held during the University Examination period.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations: <http://www.exams.mq.edu.au/>

The only exception to not sitting an examination at the designated time is because of **documented** illness or **unavoidable** disruption. In these circumstances you may consider applying for Special Consideration. If a Supplementary Examination is granted as a result of the Special Consideration process, the examination will be scheduled after the conclusion of the official examination period. Also, although the material coverage for the Supplementary exam would be the same as the final exam, **it will include only essay-type questions.**

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, the final day of the official examination period.

On successful completion you will be able to:

- Analyse and discuss key concepts in the professional literature of money and finance.
- Identify, define and analyse contemporary financial market problems and solutions within real-world constraints.
- Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.
- Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

## Delivery and Resources

There is one three-hour class per week (in one block), comprising lectures and practice questions. Students are expected to **attend the full quota of classes.**

There is ***no prescribed textbook*** for Econ350.

### Recommended Texts and/or Materials

- (i) Kidwell, D. et al. 2019, Financial Markets, Institutions and Money (4th edn), Australian Edition, John Wiley & Sons Australia.
- (ii) Madura, J. 2018, Financial Markets and Institutions (12th edn), 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. What makes this different to most books recommended for courses such as this is that it is also great fun to read – full of drama, violence, scandal, passion, crime, and so on – in short, all the things that really drive money and finance. It takes its story all the way up to mid-2008. A television series on the book was also made in 2008, and it is available on YouTube at <https://www.youtube.com/watch?v=fsrtB5lp60s>.

(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)

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

## Technology Used and Required

iLearn; i-Lecture

## Unit Schedule

Lecture Topics
<b>Topic 1: Introduction</b>  This topic provides you an overview of what money is and why we need to study money and finance. It also touches upon all the topics to be discussed throughout this course.
<b>Topic 2: The Evolution of Money in Theory and Practice</b>  This topic examines how money and finance have evolved through times. We will first look into the functions and attributes of money in modern society. From there we will then go back in time to see how it got to the current status.
<b>Topic 3: Interest Rates, their determination and structure</b>  This topic examines two theories of interest rate determination, and four theories of term structure which can be used to explain different shapes of the yield curve.

#### **Topic 4: Central Banking and Monetary Policy**

In this topic we'll look at two main functions of central banks, the important of central bank independence, and the implementation of monetary policy.

#### **Topic 5: Money Markets**

This topic focuses on the basic role and functions of money markets, money market instruments, and money markets post-GFC.

#### **Topic 6: Bond Markets**

In this topic we'll look at the market for long-dated securities, or bonds. More specifically, we will look at the importance of bonds, and the history of bonds. Then we'll take the US as a case study to see how bonds help with a nation-building. Finally, we'll move to the modern bond market and different types of capital securities.

#### **Topic 7: Equity Markets**

In this topic we'll look at another capital market which is equity market. At first we'll look at the origins of the stock market, starting with foundation of the first company, VOC. Then we'll examine the modern equity markets in terms of types of equity securities, the primary and secondary markets for equities. Then we'll move to talk about share market indices and whether the share market is a predictor of the future state of the economy. Lastly, we'll talk about the big change in recent times, the whole story of exchange traded funds and the rise of high frequency trading.

#### **Topic 8: Derivatives and Options Markets**

In this topic, at first we'll look at some basics, in which highlights that derivatives began in a way for people in the real economy to manage risks. Then we'll get into some specific types of derivative markets including forwards and futures, options. Then we will look at swap and credit default swap, and finally some reforms in the derivatives markets post GFC.

#### **Topic 9: Behavioural Finance**

Traditional finance theory is built on the notion that the actions of economic agents are guided by the criterion of maximizing expected utility. Behavioral finance (BF) takes the position that not all economic decisions can be described by the equilibrium conditions in such an economy.

In this topic, first we'll look at what is BF and how and why they began, more specifically we will examine some stylized facts that were inconsistent with the rational utility-maximizing representative agent. Then we will look at the two theories of BF: Heuristics or the rules of thumb, and Prospect theory, which is about how our mind limits decision making process.

#### **Topic 10: Modern forms of currencies**

And we will end this course with some recent development in the world of digital and crypto currencies.

## **Policies and Procedures**

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). 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](#)

- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

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

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/study/getting-started/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)

## Student Support

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

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)



If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## 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.

## Graduate Capabilities

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

### Learning outcomes

- Analyse and discuss key concepts in the professional literature of money and finance.
- Identify, define and analyse contemporary financial market problems and solutions within real-world constraints.
- Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.
- Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

### Assessment tasks

- Online Assessments
- Class Test
- Assignment
- Final Examination

### Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

## **Learning outcomes**

- Analyse and discuss key concepts in the professional literature of money and finance.
- Identify, define and analyse contemporary financial market problems and solutions within real-world constraints.
- Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.
- Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

## **Assessment tasks**

- Online Assessments
- Class Test
- Assignment
- Final Examination

## **Problem Solving and Research Capability**

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

## **Learning outcomes**

- Analyse and discuss key concepts in the professional literature of money and finance.
- Identify, define and analyse contemporary financial market problems and solutions within real-world constraints.
- Demonstrate a capacity to research and then communicate in various forms to a variety of audiences.
- Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

## **Assessment tasks**

- Assignment
- Final Examination

## Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

### Learning outcome

- Be intellectually ready to participate in discussions of alternative and creative ways of thinking in financial markets, and in business and policy environments.

### Assessment tasks

- Class Test
- Assignment
- Final Examination

## Research and Practice

This unit makes extensive use of Macquarie University researchers, as can be seen from the reading guide, lecture slides, and elsewhere.