



# ECON2050

## Money and Finance

Session 1, Online-scheduled-weekday 2023

*Department of Economics*

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#### **Disclaimer**

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## General Information

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Thursday 11-12

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Credit points

10

Prerequisites

50cp at 1000 level or above including ECON110 or ECON111 or ECON1020

Corequisites

Co-badged status

Unit description

In order to provide students with a deep understanding of the nature of money, the role and characteristics of financial markets, along with the instruments and institutions that inhabit them, this unit examines the evolution of money and finance from pre-history until the present. Although the workings of the Australian financial system are explored, the unit has a very global focus. Topics may include: the meaning and 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; in-depth analyses of money markets, bond markets, equity markets, and derivatives markets. All these topics are examined both in terms of theoretical foundations and in contemporary practical applications. 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:

**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, striving for alternative and creative ways of thinking in financial markets, and 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	Every week starting week 2
<a href="#">Online Test</a>	30%	No	Week 7
<a href="#">Final Examination</a>	50%	No	During University Examination Period

### Weekly Online Discussion

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

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

Due: **Every week starting week 2**

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, striving for alternative and creative ways of thinking in financial markets, and 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: **During University Examination Period**

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, striving for alternative and creative ways of thinking in financial markets, and 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

Each week, there will be a **pre-recorded lecture** posted on the unit iLearn page, along with the lecture slides.

Starting in Week 2, there will be **one-hour live zoom class** to discuss questions regarding

the lecture topics. You can attend **either Thursday 1-2pm or 5-6pm** class.

All materials for the unit, such as pre-recording 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 as well as the unit schedule, additional readings, assessment information, and discussion questions.

There is **no prescribed textbook** for Econ2050.

### **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) (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

### Lecture Topics

#### Topic 1: Introduction

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.

#### Topic 2: The Evolution of Money in Theory and Practice

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.

#### Topic 3: 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 4: Interest Rates, their determination and structure

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 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 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 \(https://policies.mq.edu.au\)](https://policies.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](https://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 2023.04 of the [Handbook](#)