

# ECGEB371 Money and finance

## Syllabus

### Administrative information

**Instructor(s):** RYCHALOVSKA Yuliya

**Quadrimester:** 1st

**Number of credits and teaching hours:** 4 credits-45 hours

**Language:** English

### Learning outcomes

The objective of the course is to develop the framework that will help students to understand the most important concepts in the area of money and financial institutions: the role of money and its components, the definition and determination of the interest rates, the mechanisms of financial intermediation, the structure and functioning of financial markets, the objectives and instruments of monetary policy. The course aims at establishing a close link between the theoretical concepts and actual monetary and financial developments. The framework is the European economy, with an opening to international financial markets.

### Content

After the introduction focused on the nature, functions and role of money in the economy, the course explores various aspects of financial markets and institutions. In particular, we will start from the fundamentals: how to measure the interest rates, determine the maturity structure and their role in valuation. Furthermore, we will study the structure and functioning of financial institutions, explore causes and macroeconomic consequences of financial crises, and analyze the role of financial intermediation and financial intermediaries in the intertemporal allocation of resources. The course then addresses the organization of financial intermediation in the euro area, the structure of money markets and of capital markets, as well as the mechanisms of price formation on these markets. Finally, we will discuss the role played by the European Central Bank on the money market, as well as the tools

and strategies of the monetary policy. The international aspects of monetary and financial regulation will be also addressed.

The course consists of five chapters:

Chapter 1 - Money: definition, nature, functions and macroeconomic role

Chapter 2 - The interest rates: definition and determinants. Term structure of interest rates

Chapter 3 - Financial intermediation and financial intermediaries

Chapter 4 - Financial markets in Europe, the European Central Bank and monetary policy in the euro area

Chapter 5 - International aspects of monetary and financial regulation

### **Teaching methods**

The course consists of lectures and exercise sessions. The course is taught in English. The slides will be made available. Exercise group sessions are organized in parallel with the course.

Students are encouraged to ask questions about the material covered in the course and to actively participate in each session. They are also invited to follow the monetary and financial news in order to gain more intuition about the current events in the economy and banking sector. The material of each chapter is supported by review questions, practical exercises and further readings suggested to the students. Documents (slides) to the course: All documents will be progressively made available on the course website on webcampus2017.

### **exercises description**

Take-home exercises - Regular sessions with discussion of solutions.

The exercise sessions by student groups are organized in order to improve and deepen understanding of the material covered in class. Part of the exercises will be solved during the group sessions and made available on webcampus. In addition, students are also asked to solve independently the take-home assignments to practice the understanding of the topics of the course and the solution methods. Some questions of previous exams will be discussed during the exercise sessions.

### **Evaluation**

Written exam, closed books

Written exam, closed book, with a duration of 3 hours that includes several types of questions: - Definitions and interpretation of important concepts studied in the course; - Application questions to test students' understanding of the monetary and financial mechanisms; - Application exercises, similar

to those seen during and exercise sessions; - Application questions, related to distributed readings, to check the ability of students to think about real-world economic issues.

### **Recommended readings**

F.S. Mishkin (2013), *The Economics of Money, Banking, and Financial Markets*, Pearson International Edition - Prentice Hall, 10th Edition.

J. De Haan, et al. (2009), *Financial Markets and Institutions: A European Perspective*, Cambridge University Press.

Balling M. and E. Gnan (2013), *50 Years of Money and Finance - Lessons and Challenges*, SUERF – The European Money and Finance Forum.