Central Banking, Financial Institutions and Prudential Regulation:
Theory, Practice and Recent Challenges

2019 Early Summer: May 6 to June 18, 2019; MW 18:05 – 20:55

Instructors: Paul Jenkins and David Longworth
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Office Hours: Mondays and Wednesdays 17:20-17:50 and 21:00-21:45

Course Description

This course will cover issues related to: (i) central banking in general, and the formulation and implementation of monetary policy in Canada and other countries in particular; and (ii) the need for macroprudential regulation and financial stability oversight and policy. While it will include some theoretical elements needed for the understanding of these issues, its primary focus will be on the ways in which policymakers have addressed practical issues of policy-making over the years. The course is aimed at the conduct of monetary policy and financial stability policy, and at current policy issues. It will be less theoretical and more practical than standard graduate courses in these areas.

Text and required reading

There will be no required text. The required reading will involve 2 to 3 articles for each class, some of which will come from central banking publications. A complete reading list with both required reading and supplementary reading for those who wish to delve further into an issue will be made available in advance of the first class.

Evaluation

There will be one mid-term, one assignment, and a final exam. Their weights in the final mark are as follows:
Mid-term Examination: 40% (to be held in class on May 29)
Assignment: 20% (due at the beginning of class on June 17)
Final examination: 40% (to be held during the Early Summer examination period at time and place set by the University; will only cover material from the last six lectures)
Students who can document a compelling reason for missing a mid-term examination will be excused and their final grade will be based on their performance in the rest of the course—i.e., the weight of each of the remaining evaluation instruments will rise by a factor of (1/0.6) (e.g., the final examination weight will become 40%/0.6= 66 2/3 % and the weight of the assignment will become 20%/0.6 = 33 1/3 %). Students must inform the instructor of such an absence in advance, if possible.

Students must fulfill all of the preceding course requirements in order to achieve a passing grade.

Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by an instructor may be subject to revision. No course grades are final until they have been approved by the Dean.

**Plagiarism.** Please be aware that plagiarism is a serious offence at Carleton and should be recognized and avoided. For information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at [https://carleton.ca/economics/courses/writing-preliminaries/pammett-on-plagiarism-and-paraphrasing/](https://carleton.ca/economics/courses/writing-preliminaries/pammett-on-plagiarism-and-paraphrasing/)

**Topics**

The first six lectures will be given by Paul Jenkins and will cover:
- perspectives on Canadian monetary policy and policy frameworks;
- inflation targeting: transition, goals, instruments, and accountability;
- price level targeting and the 2021 inflation-target renewal;
- decision-making and communications;
- governance and central bank independence;
- international monetary policy issues.

The final six lectures will be given by David Longworth (with one guest lecturer) and will cover:
- financial cycles and economic cycles;
- central bank balance sheets and implementation of monetary policy;
- negative interest rates;
- unconventional monetary policy;
- financial stability (and analysis): key vulnerabilities and risks;
- macroprudential policy and monetary policy;
- lender of last resort and market maker of last resort;
- e-money and FinTech.

**Academic Accommodation**

You may need special arrangements to meet your academic obligations during the term. For an accommodation request the processes are as follows:
Pregnancy obligation: write to one of the instructors with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details see the Student Guide.

Religious obligation: write to one of the instructors with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details see the Student Guide.

Academic Accommodations for Students with Disabilities: The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send your instructors your Letter of Accommodation at the beginning of the term. After requesting accommodation from PMC, meet with one of the instructors to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam.