CARLETON UNIVERSITY

Department of Economics

ECON 5880 R – Special Topics in Economics

Central Banking, Financial Institutions and Prudential Regulation:

Theory, Practice and Recent Challenges

2018 Early Summer: May 7 to June 18, 2018; MW 18:05 – 20:55, 112 Patterson Hall

Instructors: Paul Jenkins, David Longworth, and Mark Zelmer

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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 functioning of financial institutions and the need for prudential regulation and financial stability oversight. 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 regulation, 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 two mid-terms and a final exam. Their weights in the final mark are as follows:

Mid-term Examination I: 26% (to be held in class on May 16)
Mid-term Examination II: 26% (to be held in class on June 4)
Final examination: 48% (to be held during the June 22-28 examination period at time and place set by the University)
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 \((1/0.74)\) (e.g., the final examination weight will become \(48\%/0.74 = 65\%\)). Students must inform the instructor of such an absence in advance, if possible.

**Satisfactory Performance Criteria**

Students must fulfil all of the preceding course requirements in order to achieve a passing grade (D- or higher). Failure to write the final examination when the student has achieved satisfactory performance during the term will result in a grade of ‘F’ until an appeal to write the deferred final exam in July 2018 is granted. A change of grade will be submitted when the deferred final exam has been written and the marks are available. See Academic Regulation 2.3 for the official meanings of the grades, and note that it stipulates that no course grades are final until approved by the Faculty Dean. Note also that course grades may be scaled upwards or downwards in a rank-preserving manner to better fit the relevant departmental distributional norm. Application to write a deferred final examination must be made at the Registrar’s Office in writing no later than three working days after the original final examination.

**Topics**

**The first four lectures will be given by Paul Jenkins and will cover:**
- perspectives on Canadian monetary policy;
- inflation targeting: transition, goals, instruments, and accountability;
- price level targeting and the 2016 inflation-target renewal agreement;
- decision-making and communications;
- governance and central bank independence;
- international monetary policy issues.

**The middle four lectures will be given by Mark Zelmer (with one guest lecturer) and will cover:**
- functioning of banks and other deposit-taking institutions;
- the need for prudential regulation and supervision;
- capital and liquidity requirements; bail-in debit and resolution mechanisms;
- regulation of insurance companies and pension funds.

**The final four lectures will be given by David Longworth (likely with one guest lecturer) and will cover:**
- central bank balance sheets and implementation of monetary policy;
- negative interest rates;
- unconventional monetary policy;
- lender of last resort and market maker of last resort;
- financial stability (and analysis) and its relationship to monetary policy.
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.

Academic Integrity

Please ensure that you are familiar with and comply with the Carleton University Academic Regulations as they apply to https://carleton.ca/registrar/academicintegrity/

Plagiarism

Please be aware that plagiarism is serious offence at Carleton and should be recognized and avoided. For information on how to do so, please see “Pammett on Plagiarism and Paraphrasing”.