Course Description: This course should probably be entitled “Money, Banking, and Central Banking” because approximately half of the course will focus on monetary policy. In the first half of the semester, we will define and analyze money, banking, interest rates, and bonds and also cover the main structures used today to provide financial intermediation. In the second half of the course, we will study the theory and practice of monetary policy in the U.S. and other developed nations. Due to time constraints, topic prioritization is required, and we will not be spending much time, sadly, on the history of banking and central banking, bank management, or the history of the Federal Reserve.


You purchase the text at the bookstore, online, or you may purchase or rent an e-book at vitalsource.com. The e-book is identical to the print version. The cheapest options are to find a used book or to rent the e-book from vitalsource.com for 180 days.

Sakai: You can find the syllabus, homework assignments, and announcements on the course Sakai page throughout the semester.

Prerequisites: Econ 252

Helpful resources: The University provides free and useful help with writing skills, with English as a second language, and with quantitative skills. Writing and
basic math skills are crucial to do well in this course. If you need assistance with these skills, please let me know and I will direct you to the appropriate resources.

**Academic Honor Policy:** All students are expected to adhere to the Academic Honor Council Constitution (which you signed prior to registration) at all times. Failure to do so will result in a zero grade on the relevant assignment and notification of the Dean of Academic Affairs.

**Attendance:** Attendance is not mandatory and will not be formally checked or recorded. If you want to do well in this course, though, plan on attending all classes, completing all assigned readings and assignments on time, and asking lots of questions.

**Students with Disabilities:** If you have a disability, you will need to register with the Disability and Accessibility Services Office as well as inform me so that I can make appropriate accommodations for you.

**Grading:** Your grade is comprised of:

**25%: Midterm Exam** (Thursday, March 10, in class)

**25%: Final Exam** (Monday, May 9, 8:30-11:30 AM)

Notes on exams: All exams are written (You will never be given a multiple choice question in this class.) and will consist of 4-5 short answer (one paragraph) questions and one essay question. One week prior to each exam, you will receive a study guide that includes 12 potential short answer questions and 3 potential essay questions. The test questions will be drawn from the study guide. You will have an opportunity in the class prior to each test to ask questions about the study guide. YOU MAY STUDY IN GROUPS BUT MUST GIVE YOUR OWN ANSWERS ON THE TEST.

**20%: Term paper** (Due at the beginning of the last class, Thursday, May 5th)

Notes on the term paper: This is a 10-15 page research paper on a topic of your choice, subject to my approval. You must submit a topic for approval by Tuesday, March 29. You may submit an outline of your paper for my review by Tuesday, April 19. The paper is due at the beginning of class on Thursday, May 5. I will distribute more information on this assignment mid-semester.

**15%: Group Project and Presentation**

On Tuesday, March 29, I will randomly assign students in the class to groups of four. The assignment is to prepare and give a 10-15 minute presentation on a topic of your choice (that is relevant to money and banking). Each group will (1) Pick a
topic, subject to my approval, by ; (2) Turn in an outline of the project including (i) sources, (ii) a summary description of the relevant facts, (iii) the information and incentive issues within the topic, and (iv) the important information and arguments you plan to impart to the class during your presentation by Tuesday, April 19; and (3) Give a 10-15 minute presentation to the class on the chosen topic during the last two weeks of class. Each group member will receive the same base grade that will be adjusted based on peer feedback. I will distribute more information about this assignment later in the semester.

15%: Participation (12% homework; 3% in-class participation as subjectively evaluated by me)

Notes on homework: There will be 12 homework assignments posted on Sakai throughout the semester. They are always due on a Tuesday (and are all noted in the course schedule below). You can receive the following grades on homework: a “check plus” indicates a completely correct answer (100%), a “check” indicates a mostly correct answer that demonstrates a genuine effort (90%), a “check minus” indicates insufficient effort (50%), and a “0” indicates either a failure to turn in the assignment on time or a failure to demonstrate a genuine effort to complete the assignment. YOU MAY WORK ON HOMEWORK IN GROUPS. IF YOU DO SO, TURN IN ONE ASSIGNMENT LISTING EACH GROUP MEMBER’S NAME. ALL MEMBERS OF EACH GROUP RECEIVE THE SAME GRADE.

General notes on grading: There are no extra credit opportunities, and if you miss an exam or deadline without a valid excuse (meaning verifiable illnesses or other emergencies), you will receive a zero grade on that assignment.

Grading Scale:

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Course Schedule (subject to change):

Thursday, January 21: Syllabus, Introduction to money and banking
  Reading: None.
Tuesday, January 26: Money
  Reading: Chapter 3 (all reading assignments are in Mishkin unless otherwise noted)
Thursday, January 28: Banking (financial intermediation)
  Reading: Chapter 2
Tuesday, February 2: Bonds, Interest Rates
  Reading: Chapter 1
  Homework #1 due at the beginning of class.
Thursday, February 4: Interest rates cont’d
  Reading: Chapter 4
Tuesday, February 9: Interest rates cont’d
  Reading: Chapter 5
  Homework #2 due at the beginning of class.
Thursday, February 11: Interest rates cont’d
  Reading: Chapter 6
Tuesday, February 16: Asymmetric Information
  Reading: Chapter 8
  Homework #3 due at the beginning of class.
Tuesday, February 23: Regulation
  Reading: Chapter 10
  Homework #4 due at the beginning of class.
Thursday, February 25: U.S. banking history
  Reading: Chapter 11
Tuesday, March 1: Securitization
   Homework #5 due at the beginning of class

Thursday, March 3: Fractional Reserve Banking; Study guides for midterm distributed
   Reading: Chapter 14

Tuesday, March 8: Review for midterm
   Homework #6 due at the beginning of class

Thursday, March 10: Midterm exam

Tuesday, March 15: Equation of Exchange
   Reading: Chapter 19

Thursday, March 17: Central Banking
   Reading: Chapter 13

Tuesday, March 29: Banking issues in the Great Depression and the Great Recession
   Reading: Chapter 12
   Homework #7 due at the beginning of class
   **Paper topics due at the beginning of class.
   **Group assignments made in class.

Thursday, March 31: Monetary policy tools
   Reading: Chapter 15

Tuesday, April 5: Monetary Policy tactics
   Reading: Chapter 16
   Homework #8 due at the beginning of class

Thursday, April 7: Monetary policy theory; ZLB
   Reading: Chapter 23
Tuesday, April 12: MP Theory: Expectations
   Reading: Chapter 24
   Homework #9 due at the beginning of class.

Thursday, April 14: MP Theory: Transmission Mechanisms
   Reading: Chapter 25

Tuesday, April 19: Free banking
   Homework #10 due at the beginning of class.
   **Group presentation outlines due.
   **Term paper outlines due. (optional)

Thursday, April 21: Central banking in Europe and Asia (ECB, PBOC, BOJ)

Tuesday, April 26:
   Homework #11 due at the beginning of class.

Thursday, April 28: Group presentations
   Reading: None

Tuesday, May 3: Group presentations; Study guides for final exam distributed
   Reading: None.
   Homework #12 due at the beginning of class.

Thursday, May 5: Review for final
   ***Term paper due at the beginning of class.

FINAL EXAM: Monday, May 9, 8:30-11:30 AM