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ECON 317-01, Money and Banking, Fall 2012

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Money and Banking

Fall 2012 Course Syllabus

Instructor: Teresa Beckham Gramm

Office: 229 Buckman

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Email: grammt@rhodes.edu

Office Hours: T TH 9-10 and 12:30-1; and by appointment

Recommended Text: Mishkin, *The Economics of Money, Banking, and Financial Markets*, 10th edition.

Required Text: *Economist*, print edition. Students should bring me a check (made out to “Teresa Beckham Gramm”) for \$20.00 to pay for a semester subscription to this magazine

In Money and Banking you will learn about monetary and banking institutions in the United States, including financial institutions, financial markets, regulation, interest rate determination, money supply, the Federal Reserve and the implementation of monetary policy. A detailed outline of the material to be discussed will be given prior to each lecture to aid in your preparation. Readings from *The Wall Street Journal* and *The Economist* will be a regular part of the course. We will discuss current events related to international economics. Furthermore, you will have assignments to locate and analyze related articles.

Goals: The goals of this course are to understand

- the role of banks and other financial institutions as intermediaries;
- regulation of the financial institutions/markets, analyzing both the reasons for and the limitations of such regulation;
- the interrelatedness of the many US financial institutions;
- the determinants of interest rates and their role in allocation of funds;
- role of money in an economy;
- and the organization, power and limitations of the Federal Reserve in regulating the banking system, controlling the money supply, and engaging in monetary policy.

The means by which these goals will be achieved are through lecture and out-of-class problem assignments, which are explained in further detail below. Exams will include both problems/essays and analysis of current events.

Exams: There will be two exams. The first is tentatively scheduled for 9/19. The second is tentatively scheduled for the evening of Thursday 10/18 7:30-9. While I reserve the right to change the exam dates, I will notify you at least one week in advance if it becomes clear that an exam date needs to be moved. The final exam will be held during the final exam period.

If you are going to miss an exam you must let me know IN ADVANCE, otherwise there will be no make-up exam and the missed weight will go into a specially prepared cumulative final.

Assignments:

PROBLEMS will be distributed at the end of some classes. The problem(s) will cover material gone over in that class or a previous class. They are due AT THE BEGINNING of the next class period, since we will go

over the problem first. You will assign yourself a grade between 0 (“I didn’t do it”) and 4 (“I did it perfectly”) and turn each problem in to me.

- You MAY: drop your 1 lowest grade (including unexcused and excused absences).
- You MAY: come by with questions about a problem once you have made a valiant attempt on your own, as demonstrated by the reams of scribbling that you’ll have with you.
- You MAY NOT: come in late and have someone else grade your problem or send your problem with someone else.

Grade Distribution:

Exam 1	45%
Exam 2	45%
Problems	10%

Grades will be assigned according to the following scale,

93-100% = A	80-82% = B-	67-69% = D+
90-92% = A-	77-79% = C+	63-66% = D
87-89% = B+	73-76% = C	60-62% = D-
83-86% = B	70-72% = C-	59 or below = F

Attendance Policy: The assigned problems will make regular attendance necessary, but there will be no direct penalty for missing class. The indirect penalty is that you would receive a 0 on the homework problem. If you miss class due to illness, sports, family emergency, etc. then you need to inform me **by email**. Coming to the next class and explaining your absence in the previous class, while acceptable, is not a substitute for an email. You are responsible for all missed material and handouts.

Academic Dishonesty: Any evidence of academic dishonesty may result in your failure of this course. Academic dishonesty includes (1) using exams from previous semesters, (2) using problems from previous semesters, (3) working together on exams, (4) completing the problems as we are going over them in class, or (5) copying (or allowing someone else to copy) any work that is turned in for a grade. You *may* discuss approaches to solving the daily problems, but when it comes time to put pen to paper, the work must be entirely your own.

Office Hours: My office is 229 Buckman. I have scheduled office hours for T TH 9-10 and 12:30-1. I strongly encourage you to make an appointment if you have conflicts with these times. The best way to schedule an appointment with me (or contact me for any reason) is by email: grammt@rhodes.edu.

Email: I assume you check your email at least once a day. I will use it to send the daily problems and convey required reading in The Economist and The Wall Street Journal which we will be going over during the next class period. I will not send you “junk” or “FYI” or “Here’s a nifty International article in case you have a free hour”...it will always be pertinent to material you need for class.

Course Outline:

Note that this course is not a pre-requisite for any other course. This fact gives me a bit of leeway about what material we will cover. Invariably, something of economic significance occurs during the semester and we will want to spend time discussing/analyzing it.

- I. Introduction (Ch. 1)
- II. Financial Systems (Ch. 2)
 - Financial markets
 - Financial intermediaries
 - Regulation
- III. Money (Ch. 3)
 - Function
 - History
 - Measuring
- IV. Interest rates (Ch. 4)
 - Measuring
 - Present value
 - Yield
 - Real vs. Nominal interest rates
- V. Interest rate determination (Ch. 5)
 - Demand for assets
 - Bond demand and supply
 - Money demand and supply
- VI. Banking Management (Ch. 10)
 - Balance sheet
 - Principles of bank management
 - Off-balance-sheet activities
- VII. Regulation (Ch. 11)
 - Asymmetric information and financial regulation
 - Banking crises and regulation
 - Dodd-Frank Bill
- VIII. Banking Industry Structure (Ch. 12)
 - History of financial innovation and regulation
- IX. The Federal Reserve Bank of the United States (Ch. 13)
 - Origins
 - Structure
 - Fed independence
- X. Monetary Policy Tools (Ch. 15)
 - Market for reserves and federal funds rate
 - Conventional monetary policy tools
 - Unconventional monetary policy tools
- XI. Monetary Policy Strategy (Ch. 16)
- XII. Aggregate Demand and Supply (Ch. 22)
- XIII. Monetary Policy Theory (Ch. 23)