

ECON 3200-001: Money & Banking

Spring 2018

Course Information

Instructor: Dustin Hamalainen
Office: Building 72
Email: dustin.hamalainen@economics.utah.edu
Office hours: Monday 3–4pm, Thursday 10–11am (and by appointment)

Lecture: M/W 11:50 am – 1:10 pm (BLDG 73, Rm. 106)
Credit hours: 3
Final Exam Time: Thursday, April 26th, 10:30am-12:30pm

Course Description: “Examines monetary and financial instruments, institutions, and markets from the perspectives of theory, practice, and policy. The major sections of the course are the history and evolution of the monetary and financial system, the modern financial system and banking money and finance in macroeconomic theory, and the conduct of monetary policy.”

Course Objectives: This course develops a conceptual framework for understanding the “big picture” with respect to the modern financial system through an analysis of payment systems, money markets, foreign exchange and capital markets. At the end of the course, the student will be able to read and interpret financial periodicals and engage in discourse related to developments of the modern monetary and financial system.

Prerequisites: College Algebra, ECON 2010 and 2020 or instructor’s consent. The material covered in ECON 2020 (Principles of Macroeconomics) will be used extensively in this course.

Texts:

1. (OPTIONAL) *Stigum’s Money Market*, by Marcia Stigum and Anthony Crescenzi, 4th edition (ISBN: 978-0071448451)
2. Other readings (posted on Canvas)

A copy of *Stigum’s Money Market* will be on reserve at Marriott library.

It is strongly recommended that students have access to the Financial Times, Wall Street Journal, or a comparable publication as lectures will refer to current events whenever possible. The ASUU Collegiate Readership Program provides access to a number of newspapers for free with your U-card; locations can be found at: <http://asuu.utah.edu/collegiate-readership-program>.

Assignments, Exams and Grading: Weekly(ish) quizzes will be given (online via Canvas), which cover material from lectures and assigned readings/videos. Quiz questions will be primarily multiple choice questions (with the occasional short-answer question) and will be graded based on correctness. You will have two attempts to complete each quiz (Canvas will record the highest score); *the lowest quiz score will be dropped at the end of the semester*. Quizzes will be due by 11:59pm on the day before the first class of each week. Depending on the level of participation that occurs during class, unannounced reading quizzes may be given throughout the semester during scheduled class time.

In addition to the quizzes described above, problem sets will be assigned that provide an opportunity to explore the material in greater detail (and to prepare for the exams). Problem sets *must* be typed and turned in by the start of class (or submitted via Canvas) on the scheduled due date. Late problem sets will not be accepted; however, you will be allowed an automatic 24-hour extension with no penalty on *one* of

your problem sets (you do not need to email me about the extension, simply submit it via Canvas within 24 hours of the original due date).

There will be one midterm (tentatively, Wednesday, March 14th during our scheduled class time) and a cumulative final exam (scheduled by the university for Thursday, April 26th, 10:30am-12:30pm) for this course, both of which will be written, in-class/closed-book exams. The problem sets will serve as your primary study guide for the exams; however, any material that we cover in class is fair game.

Final grades will be calculated based on the following distribution:

Cumulative Final Exam (Thursday, April 26th)	30%
Midterm Exam (Wednesday, March 14th)	25%
Problem Sets	20%
Quizzes	15%
Participation	10%

Unless stated otherwise, numerical scores correspond to letter grades as follows:

≥ 93.00	A	73.00 - 76.99	C
90.00 - 92.99	A-	70.00 - 72.99	C-
87.00 - 89.99	B+	67.00 - 69.99	D+
83.00 - 86.99	B	63.00 - 66.99	D
80.00 - 82.99	B-	60.00 - 62.99	D-
77.00 - 79.99	C+	≤ 59.99	E

According to university policy (found here <http://regulations.utah.edu/academics/6-100.php>), letter grades should reflect the following levels of achievement:

A, A-	“excellent performance, superior achievement”;
B+, B, B-	“good performance, substantial achievement”;
C+, C, C-	“standard performance and achievement”;
D+, D, D-	“substandard performance, marginal achievement”;
E	“unsatisfactory performance and achievement.”

General Policies:

- The use of computers and tablets for note taking is discouraged, but not restricted; however, if you choose to take notes electronically, I ask that you sit in one of the first two rows.
- Cellphone use during lecture—for any reason including (but no limited to) texting, making phone calls, taking selfies, listening to/watching music/videos—is prohibited and will result in the loss of participation points. Additionally, if you are seen using headphones during lecture, you will automatically receive a zero for your participation grade.
- Group study is strongly encouraged; however, quizzes and problem sets must be completed individually. Evidence of collusion or the use of work that is not your own, will result in—at a minimum—a failing grade for assignment and referral to the department chair as required by university policy.
- Late work will not be accepted (exceptions may be made in the case of *documented* medical emergencies). The answers to quizzes will automatically be made available once the due-date passes. **As such, extensions for the quizzes will not be given, no exceptions.**
- You are responsible for taking notes on the material covered in class. If you miss a class for any reason, you will need to get notes from a classmate (I do not publish or distribute lecture notes for the class).

Email Policy:

- In general, you can expect a response to emails within 24 hours (excluding the weekends). I will respond to specific questions about the course content via email; however, broad questions about the course content or assignments should be addressed in-person, during office hours.
- Emails regarding exam preparation must be sent by 5:00pm on the night before an exam (I will not respond to questions about the exam after 5:00pm).

University Policies and Guidelines:

(1) “The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations. All information in this course can be made available in alternative format with prior notification to the Center for Disability Services.”

(2) Students are expected to abide by the Student Code (see <http://http://regulations.utah.edu/academics/6-400.php>) and maintain behavior in accordance with the standards of academic conduct. According to the Student Code, “a student who engages in academic misconduct [including, but not limited to, cheating, plagiarism, collusion, fraud and theft] ... may be subject to academic sanctions including but not limited to a grade reduction, failing grade, probation, suspension or dismissal from the program or the University, or revocation of the student’s degree or certificate” (Section V).

(3) In the event of an emergency requiring a building evacuation, please proceed to the building’s Emergency Assembly Point (shown on the last page of this syllabus.)

Tentative Course Outline:

	Topics Covered	Readings
Week 1	The hierarchy of money and credit; Financial Accounting: the balance sheet; Capital markets and money markets overview	Mehrling (2013) ; Stigum and Crescenzi (2007, ch. 3, pp. 37 – 47); Wright (2012, ch. 9)
Week 2	Bond valuation and yield curves; balance sheets of banks; the structure of the Federal Reserve System; the balance sheet of the Fed	Fabozzi and Mann (2010) ; Stigum and Crescenzi (2007, ch. 4); Federal Reserve Bank of Richmond (2012)
Week 3	Money supply definitions; money creation (money multiplier and fractional reserve lending)	Stigum and Crescenzi (2007, ch. 2)
Week 4	The monetary transmission mechanism	Mishkin (2012) ; Bernanke and Gertler (1995)
Week 5	Origins of the present system: civil war finance; the National Banking System; the early years of the Fed	Mehrling (2012e) ; Young (1929)*
Week 6	Payment systems; the Fed funds market and final settlement; payment vs. funding; endogeneity of money and Fed policy; Repo and Reverse markets	Mehrling (2012h) ; Mehrling (2012b) ; Mehrling (2012g) ; Fleming and Wigglesworth (2015)
Week 7	Review and Midterm	
Week 8	Spring Break (No Class)	
Week 9	The eurodollar market and Forward Rate Agreements	Mehrling (2012a) ; Stigum and Crescenzi (2007, ch. 7, 209–225 & 275-277); Stigum and Crescenzi (2007, ch. 18, 823–826)
Week 10	An introduction to foreign exchange; theories of exchange rate determination	Mehrling 2012c , Krugman, Obstfeld, and Melitz 2011
Week 11	The “Trilemma” and the political economy of exchange rate regimes	Economist 2016 , Mehrling (2012f)
Week 12	Swaps, Derivatives and “Shadow Banking”	Mehrling (2012d) ; Stigum and Crescenzi (2007, ch. 19, 869 – 882)
Week 13	Financial (in)stability	Pollin 1997 ; Minsky (1992)
Week 14	Financial (de)regulation and policy	Sherman (2009)
Week 15	TBD	TBD
Week 16	Final Exam Review	

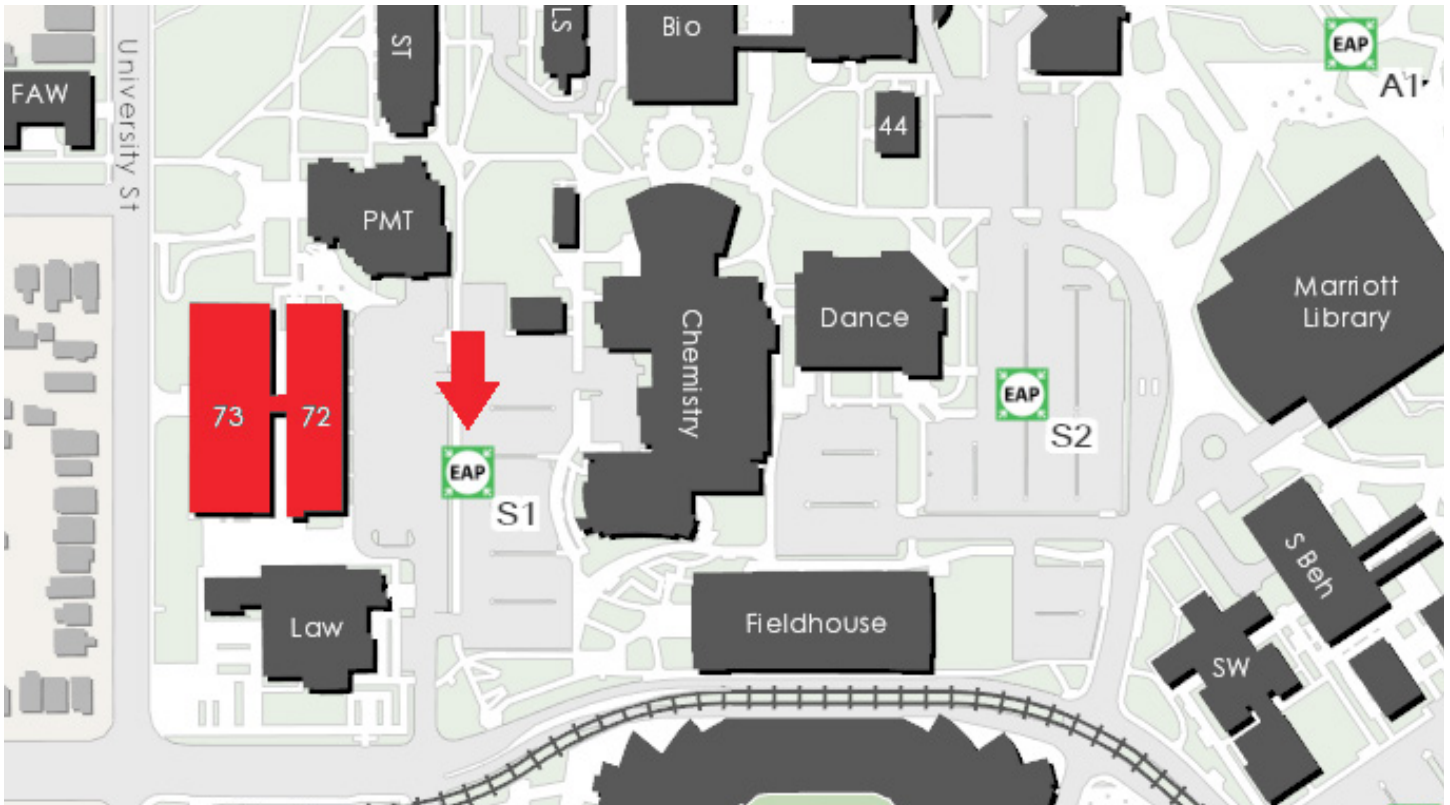
Citations in **bold** denote readings of particular importance, while asterisks (*) denote optional readings.

Note: The syllabus is not a binding legal contract. It may be modified by the instructor when the student is given reasonable notice of the modification.

References

- Bernanke, Ben S. and Mark Gertler (1995). “Inside the Black Box: The Credit Channel of Monetary Policy Transmission”. In: *Journal of Economic Perspectives* 9.4, pp. 27–48. DOI: 10.1257/jep.9.4.27.
- Economist, The (2016). “Two out of three ain’t bad”. In: *The Economist*. <http://www.economist.com/news/economics-brief/21705672-fixed-exchange-rate-monetary-autonomy-and-free-flow-capital-are-incompatible>.
- Fabozzi, Frank J. and Steven V. Mann (2010). *Introduction to fixed income analytics: relative value analysis, risk measures, and valuation*. 2nd ed. Wiley.
- Federal Reserve Bank of Richmond (2012). “Federal Reserve Today”. In: https://www.richmondfed.org/~media/richmondfedorg/publications/education/federal_reserve_today/frtoday.pdf.
- Fleming, Sam and Robin Wigglesworth (2015). “Federal Reserve Sharpens tools for lift-off”. In: *Financial Times*.
- Krugman, Paul, Maurice Obstfeld, and Marc Melitz (2011). “International Economics, 9e”. In: ch. 14, Exchange Rates and the Foreign Exchange Market: An Asset Approach.
- Mehrling, Perry (2012a). “Eurodollars, Parallel Settlement”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012b). “Federal Funds, Final Settlement”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012c). “Foreign Exchange”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012d). “Interest Rate Swaps”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012e). “Money and the State, Domestic”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012f). “Money and the State, International”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012g). “Repos, Postponing Settlement”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2012h). “The Central Bank as a Clearinghouse”. In: *Lecture Notes, Columbia University: Economics of Money and Banking*.
- (2013). “The Inherent Hierarchy of Money”. In: *Social Fairness and Economics Economic Essays in the Spirit of Duncan Foley*, pp. 394–404.
- Minsky, Hyman P (1992). “The Financial Instability Hypothesis”. In: *The Levy Economics Institute Working Paper Collection*. <http://www.levyinstitute.org/pubs/wp74.pdf>.
- Mishkin, Frederic S. (2012). “Transmission Mechanisms of Monetary Policy”. In: *The Economics of Money, Banking and Financial Markets*.
- Pollin, Robert (1997). “The Relevance of Hyman Minsky”. In: *Political Economy Research Institute Working Paper Series* 183.
- Sherman, Matthew (2009). “A Short History of Financial Deregulation in the United States”. In: *Center for Economic and Policy Research*. <http://www.cepr.net/documents/publications/dereg-timeline-2009-07.pdf>.
- Stigum, Marcia and Anthony Crescenzi (2007). *Stigum’s money Market*. 4th ed. McGraw Hill.
- Wright, Robert (2012). “Money and Banking”. In: URL: <http://www.saylor.org/site/textbooks/Money%20and%20Banking.pdf>.
- Young, Allyn (1929). *Commerce: The Marketplace of the World*. Chap. 34:35.

CSBS EMERGENCY ACTION PLAN



BUILDING EVACUATION

EAP (Emergency Assembly Point) – When you receive a notification to evacuate the building either by campus text alert system or by building fire alarm, please follow your instructor in an orderly fashion to the EAP marked on the map below. Once everyone is at the EAP, you will receive further instructions from Emergency Management personnel. You can also look up the EAP for any building you may be in on campus at <http://emergencymanagement.utah.edu/eap>.



CAMPUS RESOURCES

U Heads Up App: There's an app for that. Download the app on your smartphone at alert.utah.edu/headsup to access the following resources:

- **Emergency Response Guide:** Provides instructions on how to handle any type of emergency, such as earthquake, utility failure, fire, active shooter, etc. Flip charts with this information are also available around campus.
- **See Something, Say Something:** Report unsafe or hazardous conditions on campus. If you see a life threatening or emergency situation, please call 911!

Safety Escorts: For students who are on campus at night or past business hours and would like an escort to your car, please call **801-585-2677**. You can call 24/7 and a security officer will be sent to walk with you or give you a ride to your desired on-campus location.