

ECON 3201. MONEY AND BANKING/ QAMO 3201. MONEY AND BANKING

Spring 2023

Instructor: Ivan Mendieta-Muñoz, Ph.D.	Time: MoWe, 11:50 a.m. — 1:10 p.m.
Email: ivan.mendietamunoz@utah.edu	Place: GC 2560

Contact information:

Ivan Mendieta-Muñoz, Ph.D.

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Consultation hours: We, 10:00 a.m. — 11:00 a.m. or by appointment

[Personal website](#)

[University website](#)

Course Page: [Canvas](#)

Graduate Teaching Assistant: Joshua Meyer

Email: Joshua.meyer@utah.edu

Prerequisites: ECON 2010; ECON 2020; and College Algebra; or an equivalent background.

This course fulfills “Quantitative Intensive (QI)” General Education and Bachelor Degree Requirement. Students are also expected to be familiar with graphical analysis, basic linear algebra, and basic calculus. I will also use real world data and ask students to interpret macroeconomic time series.

Course Description and Objectives: This course will provide insights into the world of money, banking, and financial markets. This world is constantly evolving as people continuously explore new ways to pay for purchases, save for the future, and borrow to meet current needs. Likewise, the introduction of new technologies (for example, internet banking and smartphones) and new regulations aimed at making the financial system safer are ongoing sources of change. This course will examine the economic rationale behind current financial tools, rules, and structures.

At the completion of this course, students:

1. Are expected to have a solid knowledge of the main determinants of the global financial system, financial markets, and the banking sector.
2. Should be able to read, evaluate, and discuss cogently the relevant media accounts.

Learning Outcomes:

1. *Inquiry and Analysis:* There are competing theories of what causes financial crises, what are the main financial regulations needed to make the financial system safer, and what should be the relationship between central banks, monetary policy, and financial stability. This course will develop a series of analytical models and discussions to understand such relationships and examine empirical evidence for competing hypotheses.
2. *Critical Thinking:* The emphasis will be on how to set up models that study the world of money, banking, and financial markets, and to obtain logical conclusions from them. Students are expected to understand the underlying—and sometimes hidden—assumptions of the models and to learn how to distinguish between competing theories.
3. *Quantitative Literacy:* We will make use of algebraic, numerical, and graphical tools. In this sense, students will also develop quantitative skills that will allow them to understand graphical, logical and numerical relationships between different variables.

Required Textbook:

- Cecchetti, Stephen, and Schoenholtz, Kermit. (2021). *Money, Banking and Financial Markets*. New York City: McGraw Hill. 6th Edition.

You are encouraged to take advantage of the *inclusive access program*, a course materials program launched by the University of Utah Campus Store that aims at providing instantly accessible, interactive digital course materials/textbooks; while also reducing the cost to students. More information can be found [here](#).

Complementary Readings:

- Blanchard, Olivier. (2021). *Macroeconomics*. Boston: Pearson. 8th Edition.

Students are encouraged to follow the [Money and Banking blog](#), which provides timely commentary on events in the news and on questions of more lasting interest.

Students are also encouraged to keep up with current economic news. *The Financial Times*, *The New York Times* and *The Wall Street Journal* are excellent sources and they are free on campus. You may also want to peruse *The Economist*. Additionally, an excellent website where you can find op-ed pieces by leading economists is [Project Syndicate](#).

These readings are not required; but they may help to provide a more comprehensive understanding of the topics discussed in class. I would be happy to share some of these materials with those of you who are interested.

Course Requirements: The course will follow the main textbook closely. The lectures cover only the key points of each of the chapters, so it is important that you follow closely the reading assignments for each class.

University Policies:

1. **The Americans with Disabilities Act.** The Department of Economics at the University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you need accommodations in this class, reasonable prior notice needs to be given to the instructor and to the Center for Disability Services (162 A. Ray Olpin Student Union Building, 581-5020 (V/TDD)) to make arrangements for accommodations (more information can be found [here](#)). All written information in this course can be made available in an alternative format with prior notification to the Center for Disability Services.
2. **University Safety.** The University of Utah values the safety of all campus community members. To report suspicious activity or to request a courtesy escort, call campus police at 801-585-COPS (801-585-2677). You will receive important emergency alerts and safety messages regarding campus safety via text message. More information regarding safety and to view available training resources (including helpful videos) can be found [here](#).
3. **Addressing Sexual Misconduct.** Title IX makes it clear that violence and harassment based on sex and gender (which includes sexual orientation and gender identity/expression) is a civil rights offense subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, color, religion, age, status as a person with a disability, veteran's status or genetic information. If you or someone you know has been harassed or assaulted, you are encouraged to report it to the Title IX Coordinator in the Office of Equal Opportunity and Affirmative Action, 135 Park Building, 801-581-8365, or the Office of the Dean of Students, 270 Union Building, 801-581-7066. For support and confidential consultation, contact the Center for Student Wellness, 426 SSB, 801-581-7776. To report to the police, contact the Department of Public Safety, 801-585-2677(COPS).
4. **Undocumented Student Support.** Immigration is a complex phenomenon with broad impact—those who are directly affected by it, as well as those who are indirectly affected by their relationships

with family members, friends, and loved ones. If your immigration status presents obstacles to engaging in specific activities or fulfilling specific course criteria, confidential arrangements may be requested from the Dream Center. Arrangements with the Dream Center will not jeopardize your student status, your financial aid, or any other part of your residence. The Dream Center offers a wide range of resources to support undocumented students (with and without DACA) as well as students from mixed-status families. To learn more, please contact the Dream Center at 801.213.3697 or visit the [Dream Center website](#).

Exams and Grading Policy

The final course grade will be based on class participation, three homework assignments, and three exams:

Class participation (10%) + Homework assignments (15%) + Exams (75%).

Class participation means anything from asking questions to leading discussions related to the topics covered in each class. Students will need to participate in this way in at least 10 classes to receive the 10% associated with this component.

There will be no make-up exams and late assignments will not get credit except in the cases of:

1. *Medical emergencies.*
2. *Officially sanctioned University activities.*
3. *Religious obligations.*

As indicated in PPM 9-7 Sec 15, the appropriate unit should provide a written statement for the reason of absence. In cases 2 and 3, students should get in touch with me at least one week before the exam and reschedule the examination. Students will not be assigned extra credit work to improve their grades. Senior class students' work will not be graded differently.

Grading system follows the university standards:

- Excellent, superior performance: A (90-100%), A- (85-89.9%)
- Good performance: B+ (80-84.9%), B (75-79.9%), B- (70-74.9%)
- Standard performance: C+ (65-69.9%), C (60-64.4%), C- (55-59.9%)
- Substandard performance: D+ (50-54.9%), D (45-49.9%), D- (40-44.9%)
- Unsatisfactory performance: E (0-39.9%)

Important dates:

Martin Luther King Jr. Day holiday #1	Monday, January 16
No class	Monday, January 23
Homework Assignment #1	Monday, February 13
Exam #1	Monday, February 13
Presidents' Day holiday #2	Monday, February 20
Spring Break	Sunday-Sunday, March 5-12
Homework Assignment #2	Monday, March 20
Exam #2	Monday, March 20
Homework Assignment #3	Monday, April 24
Exam #3	Monday, April 24

Class Rules:

1. I encourage student cooperation in homework assignments. However, each student must present her own assignment. Duplication of the same assignment under different names is not acceptable and is considered cheating. Cheating in homework assignments or exams and other types of academic misconduct will be dealt with in accordance with the University regulations. Full details on procedures and penalties can be found [here](#). Punishments can be severe, so don't do it.
2. No electronic submissions will be accepted. You must hand in a hard copy of your assignments, either a manuscript or a printed document.
3. I will use Canvas for announcements, homework assignments, posting extra readings, etc. However, Canvas is not a substitute to attending class. It is your responsibility to keep up with the class.
4. Come to class in time.
5. Read the assigned material in advance and familiarize with the subject before the lecture.
6. Turn off your cell phones and remove them from your desk.
7. Do not believe any of the economics you read in the textbook or elsewhere. Learn it well and critically.
8. Do not believe any of the economics I present in class. Learn it well and critically.

Course Outline: The following outline is approximate. We may slow down or speed up in accordance with the needs and demands of the class.

1. **Money and the financial system**
 - (a) Introduction
 - (b) Money and the payments system
 - (c) Financial instruments, financial markets, and financial institutions
2. **Interest rates, financial instruments, and financial instruments**
 - (a) Future value, present value, and interest rates
 - (b) Understanding risk
 - (c) Bonds, bond prices, and interest rates
 - (d) The risk and term structure of interest rates
 - (e) Stocks, stock markets, and market efficiency
 - (f) Derivatives: futures, options, and swaps
 - (g) Foreign exchange
3. **Financial institutions**
 - (a) The economics of financial intermediation
 - (b) Depository institutions
 - (c) The structure of the financial industry
 - (d) Regulating the financial industry
4. **Central banks, monetary policy, and financial stability**
 - (a) Modern central banks in the world
 - (b) The Federal Reserve and the European Central Bank

- (c) The central bank balance sheet and the money supply process
- (d) Monetary policy and stabilization
- (e) Exchange rate policy and the central bank

5. **Modern monetary economics**

- (a) Money growth, money demand, and modern monetary policy
- (b) Output, inflation, and monetary policy
- (c) Business cycle fluctuations and monetary policy
- (d) Modern monetary policy and challenges