

RUTGERS UNIVERSITY
DEPARTMENT OF ECONOMICS
Spring 2012

Econ301:08 - Money and Banking

Instructor: Antonio Cusato Novelli

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Class Location: CA-A5 Coll Av

Class Time: W 11:30-12:50PM and F 1:10-2:30PM

Office: NJ Hall 408, CAC

Office Hours: W 9:30-11:30AM or by appointment

Prerequisites: Econ102 (Intro to Micro) and Econ 103 (Intro to Macro)

Learning Outcomes

Students who satisfactorily complete Money and Banking will understand the role of money and banks in the broader economy. Specifically, students should garner an understanding of the unique role of banks in the financial system. Students will also learn the relevance of the Federal Reserve and related central banking topics, including the causes, policy responses, and lessons associated with the current financial market crisis.

This course is a **lower level elective**.

Course Materials

The textbook is: Mishkin, *The Economics of Money, Banking and Financial Markets*, 9th edition (Pearson), ISBN-13: 978-0321599797.

Since there are older versions of the book, it is the student's responsibility to overcome any problems related with the changes introduced in the latest edition (9th). Most of the lectures will be based on the chapters of the textbook.

Some lectures will be mainly based on other materials:

- Lecture II. Money. Source: Chapter 1 and 3 of *Modeling Monetary Economics*¹
B. Champ, S. Freeman and J. Haslag (2011), *Modeling Monetary Economics*. Third Edition. Cambridge University Press.
- Lecture V. Derivatives. Source: Chapter 7 of *Money, Banking, and the Financial System*
R. G. Hubbard and A. P. O'Brien (2011), *Money, Banking, and the Financial System*. Pearson.
- Lecture VIII. The financial crisis 2007-2008. Sources:
 - (a) A. B. Ashcraft and T. Schuermann (2008), *Understanding the Securitization of Subprime Mortgage Credit*. FRB of New York, Staff Report 318
 - (b) G. B. Gorton (2008), *The Panic of 2007*. NBER Working Paper 14358
 - (c) C. M. Reinhart and K. S. Rogoff (2011), *This time is different. Eight centuries of financial folly*. Princeton University Press

¹ It is highly probable that this book will be used in other lectures as well.

You do not need to buy or read these other materials as long you (1) come to class, **(2) take good notes, (3) understand the discussion**, (4) ask questions when something is not clear (in class or during office hours). In general, these four recommendations are necessary for a good performance because all the lectures in this course will incorporate **some material not included in the textbook that will be evaluated**. Also, each chapter of the book covers many topics using a long presentation in each case. However, we will not cover all the topics in each chapter. Hence, people who do not follow these four recommendations will be spending time reading materials that are not required or will not be evaluated, face questions on exams that are not covered by the textbook, and probably will not have a good performance during the semester.

Course Outline

The following course outline could be subject to changes.

Lecture	Materials
I. Introduction to the Financial System	Mishkin, chapter 1, 2, 3
II. Money	Mishkin, chapter 3 Champ, Freeman and Haslag (2011)
III. Understanding Interest Rates and their Behavior	Mishkin, chapter 4, 5
IV. The Risk and Term Structure of Interest Rates	Mishkin, chapter 6
V. The Stock Market and the Efficient Market Hypothesis	Mishkin, chapter 7
VI. Derivatives	Hubbard and O'Brien (2011)
VII. An Economic Analysis of Financial Structure	Mishkin, chapter 8
VIII. Banking and the Management of Financial Institutions	Mishkin, chapter 10
IX. Financial Crisis: 2007-2008 Subprime Crisis	Ashcraft and Schuermann (2008) Gorton (2008) Reinhart and Rogoff (2011)
X. Central Banks and the Federal Reserve System	Mishkin, chapter 13
XI. The Money Supply Process	Mishkin, chapter 14
XII. Monetary Policy: Tools, Strategy and Tactics	Mishkin, chapter 15, 16, class presentation
XIII. Monetary Policy and Economic Activity	Mishkin, chapter 19, 22, 23

Academic Integrity and Grading Policy

- Students are expected to maintain Academic Integrity². Cheating in an exam will be reported and considered as a serious violation.
- Students with disabilities must present a letter from the RU Office of Disability Services before the first quiz.
- Students are expected to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website <https://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence. An email is automatically sent to me.
- During the semester, there will be 4 quizzes (multiple choice questions). Only 3 will be considered for grading purposes (the lowest grade will be eliminated). The midterm and final will consist of multiple choice questions and/or problems.

² <http://academicintegrity.rutgers.edu/integrity.shtml>

- There will be one Make-Up exam at the end of the course. Students are allow to take this exam under extraordinary circumstances. This Make-Up exam will be cumulative.
- The Academic Calendar consider 16 weeks for Spring 2012. The following table consider important dates and events:

Week	Dates	Event
3	Jan 30-Feb 3	Quiz 1
6	Feb 20-24	Quiz 2
8	Mar 5-9	Midterm
9	Mar 12-16	Spring Recess
10	Mar 19-23	Mar 19: last day to drop
12	Apr 2-6	Quiz 3
15	Apr 23-27	Quiz 4
n.a.	May 8, 8-11AM	Final

- The exact date of the quiz or exam and the material that will be evaluated will be posted on the *Announcements* section of the Sakai site.
- Course grade will be based on 3 quizzes (25 per cent), 1 midterm exam (35 per cent) and 1 final exam (40 per cent). The final will be cumulative.
- Regarding **grades**, quizzes will be graded using a scale from 1 to 10 and the exams (midterm, final) using a scale from 1 to 100. I will only post numerical grades on Sakai. Unfortunately, the Sakai system convert any numerical grade into a letter automatically. This grade expressed in letters does not have any value for me. **Discard any letter grade (A, B+, B, C+, C, D or F) that you see on Sakai; only numerical grades are valid.** To understand how well or bad you did on the exam, I will also post the distribution of the class grades. Then, you will be able to see if you did better or worse than the average, and you can infer more or less your relative position in the class. The average of the grades can vary from quiz to quiz depending on the difficulty of the quiz or exam. Before the last day to drop the class (March 19) I will provide you with your midterm grade and you will make an informed decision regarding dropping or not the course. Only at the end of the course, I will transform the numerical grades into letters.