

Money, Banking and the Financial System 220:301:09

12/21/2019 – subject to possible revision

IMPORTANT

- We will be using free, online readings and current news – no required textbook
- We will be using physical clickers by **iClicker** (that's the brand) – they are required
- Class attendance is **REQUIRED** and unexcused absences from class may be grounds for failing the course and will lower ones grade *note: several students fail each semester due to attendance issues – don't let this be you.*
- You will be required to skim/read the **free** online Wall Street Journal daily/frequently. Other papers are good too.
- You cannot use phones or laptops/tablets in class
- This should be one of the most useful courses you will take.



What is **Money**? Is bitcoin money? How does money affect the economy (**Monetary Theory**)? Affect you (**Personal Finance**)? Is bitcoin money? Is it a bubble? What's a cryptocurrency? A block chain? How do we pay for things (**Payments System**)? How is money created and controlled (**monetary policy**)? Should the Fed be independent of the rest of government? Is it? Is money obsolete? Where are all the \$100 bills? How is **Monetary Policy** carried out and why? How has it changed during and after the 2007-9 **Financial Crisis and Great Recession**? How will it change this year? Are **Banks** dying out? Should they? What do they do? How would you run a bank? How does the **financial system** work, and why did it almost melt down in 2007-08? What are some ways to **get rich** (or at least not poor) in the **Stock or**

Bond (or Options or Futures (derivatives) markets? What's a stock? Bond? Mutual fund? What will a **weak dollar** do to your career, to the U.S. economy? And what is a weak dollar? What's the ECB (**international financial system**)? And what's with Dodd-Frank (**financial regulation**)?

This course provides an overview of the nature and role of **MONEY AND MONETARY POLICY** in modern economies; the role, operation, and regulation of **BANKS** and other depository institutions; an introduction to **FINANCIAL MARKETS**, institutions, and instruments; a taste of **INTERNATIONAL MONETARY AND FINANCIAL ISSUES**; along with simultaneous coverage of **INVESTMENT AND SOME PERSONAL FINANCE**. The ultimate **OBJECTIVE** of the course is to provide students with a **life-long** understanding of the basics of money, banking, the financial system, and investments. Above all, this is intended to be an **interesting, important, useful, and demanding** course dealing with issues you will certainly face in your **private, public, and professional lives** and which will provide you with **useful and usable skills and insights** (and some **cookies**).

Instructional Goals: Consistent with the *Learning Goals of the Economics Department*, students will develop and demonstrate economic literacy, numeracy, citizenship and scholarship in the area of the economics of money, banking, and the financial system. Specifically, successful students will demonstrate through examinations, projects and homework assignments that they have gained:

- an understanding of monetary theory and policy, and the functions, instruments and markets of the banking and financial system as well as financial investment.
- the ability to graphically and statistically examine monetary and financial variables, relationships and models
- the tools necessary to understand and analyze current issues and policies involving money, the financial system and the monetary aspects of the economy
- an understanding of the basics of personal investing

To take this course you **MUST**:

- Have high-speed access to the Internet often. (dorm, library, home, Starbucks)
- Have a sense of humor (laugh at my jokes)
- Make regular use of Sakai (Rutgers' online course management system)

- Buy or obtain an **iClicker** brand clicker (**any model, new or used**) and bring it to class regularly (the same clicker can be used by **ONE** student in multiple classes but **NOT** by multiple students) – starting with the first class.
- **Regularly attend class**, - **UNEXCUSED ABSENCES MAY BE GROUNDS FOR FAILING THE COURSE and will lower your grade**
- **Participate** in class and online chat rooms
- **Complete** graded weekly, on-line **assignments** which, along with **reading**, will take 4-6 hours per week.
- **LOOK UP REQUIRED MATERIAL NOT CONTAINED IN THE READINGS.**
- Use Quizlet (or other) **flash cards**
- **Regularly skim/read** the free, online **WALL STREET JOURNAL** (or other major paper)

You must **NOT**

- **use a computer** in class. If there is a special reason for needing to use one, please see me.
- **use cell phones in class** – not for calls, text messaging, or photographs/video.
- **come late or leave class early.**
- **talk** in class – it imposes external costs on others.
- **Record audio or video** in class without explicit written permission

If any of these are difficult for you, it will be necessary to take the course with a different instructor.

MEETING TIMES, WEB ACCESS, OFFICE HOURS

The class meets TTh 2:50-4:10pm Milledoler 100 CAC, and online 24/7.

My Economics Department web page is: <http://econweb.rutgers.edu/sheflin/> - it has a lot of links, some of which you will hopefully find useful. However, virtually all of the course material will **ONLY** be available through Sakai <http://sakai.rutgers.edu>. You are responsible for checking announcements, grades, and the chat rooms in Sakai frequently.

My **office hours** will be Tuesdays 4:30-6pm starting January 28 (day/time might change occasionally with notice) in New Jersey Hall 403 CAC and other times by appointment. There will be a signup tool in Sakai to reserve a time slot or you can drop in but you might have to wait. Note that office hours are to discuss personal issues, the meaning of life, and jazz. Class questions should be asked in class or posted on the chat rooms first.

EMAIL (NO) Any and all course related questions should be posted on the appropriate **CHAT ROOM** in sakai. Email is **ONLY** for very personal issues (health, family problems, etc) and I will generally not respond to email that can and should be posted on the chat room. My email is sheflin@rutgers.edu If you do email, make sure to indicate which course you are in and please email from a Rutgers email address.

HOW THE COURSE WILL WORK

- **Before** each week's classes, you will read/print the **ASSIGNMENT** for the **next** week posted under **RESOURCES** in Sakai, and generally available by the Wednesday of the week before it is due (i.e. assignment 2 will be posted by Wednesday of week 1). **Late assignments will not be accepted.**
- You will do the online and other readings, problems, and an **online graded multiple choice homework quiz (in WEEKLY HW QUIZZES) AND a single on-line long-answer question (in WEEKLY LONG ANSWER QUESTIONS), and other** assigned items contained in the assignment document posted in Sakai **BEFORE** the next Monday class. It is **UP TO YOU TO FIND ANSWERS TO QUESTIONS** and problems, even if they are not in the readings (hint: **GOOGLE, INVESTOPEDIA, WIKIPEDIA**).
- It is **ESSENTIAL** to post questions on the chat rooms and/or ask in class.
- You will be at least **SKIMMING THE FREE, ONLINE WALL STREET JOURNAL DAILY**, focusing on articles dealing with material related to the course (or the Kardashians). You will be tested on your awareness of the world of money, banking, and the financial system.
- Each Sunday or Monday evening, print out the class slides for the week and bring them to class.
- You will make and use **FLASH CARDS** to help you learn key definitions, concepts, analyses, possibly using quizlet.
- You will interact with me and with each other through online **CHAT ROOMS** for homework and other questions you have trouble with, as well as for "when, how, what" questions and other course related issues (email is **ONLY** for very personal issues)
- In class, we'll deal with current events, applications, homework review for tough questions, in **multiple choice 'quiz' format with CLICKERS** – there will be little or no lecturing.
- We will be playing a **stock investing game**, and using various simulators and data bases in the course,

- There will be 4 short **quizzes** during the semester, and no midterm or other exams (except the final). The majority of your grade will depend on a **COMPREHENSIVE, CUMULATIVE MULTIPLE CHOICE FINAL EXAM** at the end of the course covering all the material, encouraging learning the material for the **long-run**. (ignore Keynes here)

GRADING

Grades in the course will be based on **weighted total points** from

- **graded, online, multiple choice homework** due before each class (**10%**), lowest several dropped
- four **in-class quizzes** (**15%**), lowest one dropped
- **class participation and testing with clickers** every class (**15%**) with the lowest X days dropped (X will be revealed late in the course, 0 is a good number)
- A **COMPREHENSIVE MULTIPLE CHOICE FINAL EXAM** reflecting what you know at the end of the course (**60%**) – you will hate the heavy weight on the final – but it is intended to encourage you to study and learn the material for the long-run, not cram, and to give students who ‘get-it’ late in the course a chance (and an incentive) to do well.
- There will also be **EXTRA CREDIT PROJECTS** worth up to 2%. And lesser extra credit for documented attendance at the Learning Resource Center(s).

ATTENDANCE is **required** and reflected in clicker points from each class. Except for documented absence due to participation in official University events or religious holidays, or **significant** illness or personal problems, there will be **no excused absences**. However, **I will drop the lowest several clicker day(s)**, the lowest several homework assignments, and the lowest clicker quiz. Please do not see me for single missed classes as up to X are automatically not counted (where X is a low number).

If you miss **MORE** than two classes because of illness or a family emergency – **SEE ME (do not email)**, before or after class and please bring documentation about the cause.

Note that **I DO NOT LOOK AT OR USE THE UNIVERSITY ABSENCE REPORTING WEBSITE**

This is the one I ignore <https://sims.rutgers.edu/ssra/> Don’t waste time with it for this course -

SUBSTANTIAL UNEXCUSED ABSENCES MAY BE GROUNDS FOR FAILING THE COURSE AND WILL LOWER A COURSE GRADE BY A LETTER GRADE (B TO C for example, or D to F).

TEXTBOOK ****NO REQUIRED TEXTBOOK**** but weekly required readings

The course will use extensive online sources and each weeks **ASSIGNMENT** posted on sakai the week before, will indicate the required readings which are, **required** (duh).

There are a number of ‘standard’ and expensive Money and Banking textbooks. You may wish to pick up a new or used copy of one as a **supplement** if you feel you need it. *This is entirely up to you.*

Here’s a free online book, not sure about the quality though: https://saylordotorg.github.io/text_money-and-banking-v2.0/index.html

Other mainstream and popular ones are:

- **The Economics of Money, Banking, and Financial Markets** 12th or 11th editions Frederick Mishkin
- **Money Banking and Financial Markets** 2nd edition or later, Laurence Ball, 2012
- Others by Cecchetti, by Hubbard&OBrian, Croushore and more are available.



Also REQUIRED – daily perusing of the **FREE, ONLINE WALL STREET JOURNAL**, focusing on articles dealing with material related to the course, the economy, the world (or the Kardashians). .

FLASHCARDS essential for most students to truly learn the material. Write terms, theories, concepts, fact name on front, and define, explain, etc on back. Carry them everywhere and TEST yourself often. I'll put some links up for pre-made flashcards for the course. Quizlet might be a good tool



CLICKER We will be using **iClicker brand** clickers which sell for about \$45 new, with many available used for less. You **MUST** have your own clicker – you can share one with a friend **IN A DIFFERENT CLASS** but I would not advise this. You can buy a used one. You must bring your clicker to every class and must not bring someone else's – there will be frequent checks for clickers that are in class when their owners' are not.

There are 3 models of iClicker – the original one, an iClicker+ replacement for it and the iClicker2, more expensive, small screen, alphanumeric entry, - **any will work for this course**. If it is available at the same price, get a REEF subscription bundled with it, although we will NOT be using REEF.

YOU MUST BUY/USE AN i>clicker BRAND CLICKER – NOT ANOTHER BRAND (NOT turning point etc) , NOT YOUR PHONE OR LAPTOP

DO NOT ORDER YOUR CLICKERS FROM A DISTANT SOURCE – YOU WILL NEED THEM FROM THE VERY FIRST CLASS And watch out for a seller charging you and then ordering them for future delivery

ACADEMIC INTEGRITY

Do not cheat, the penalties are severe, it is wrong, and in the long-run, you will not benefit. Do not:

- have someone click your clicker when you are not in class,
- talk about clicked questions unless you are told to do so,
- copy someone else's homework or have someone help with yours,
- use other sources when doing the homework
- Using someone else's words or thoughts without citing them is also cheating.

AUDIO-VISUAL RECORDING (sound, still photos, video) OF CLASS is **NOT** permitted without explicit written authorization of the instructor and notification of other students in the class, except where notification from the Office of Disability Services is provided.

LEARNING CENTERS provide tutoring. There will be (small) extra credit given for every time you go. <https://rlc.rutgers.edu/> More information in class.

SCHEDULE

ASSIGNED READINGS are shown on each week's **ASSIGNMENT** which will be posted in Sakai under **RESOURCES** – these are **REQUIRED** and essential to do well in the course. **YOU MUST LOOK AT EACH WEEK'S ASSIGNMENT IN SAKAI TO SEE ADDITIONAL READINGS, AND CHANGES.** In addition, following the reading and other activities shown in the Assignment in Sakai each week, there will be **HOMEWORK** in the form of online multiple choice questions, due **BY OR BEFORE** the class in which they are shown. They will be available in Sakai by Wednesday of the week **before** they are due, Late assignments will not be accepted (except in cases of illness, etc).

Class/ Week of	Topic and notes. IMPORTANT – reading assignments are contained in each weeks ASSIGNMENT posted in Sakai under RESOURCES / ASSIGNMENTS	Reading
1 1/21	Money, Banking and the 2007 Financial Crisis And Its Aftermath	See assignment 1

	MONEY	
2 1/28	Money and the Payments System <i>last day to drop 1/28 last day to add 1/29</i>	See assignment 2
	MONETARY THEORY	
3 2/4	How the Economy Works -- Short-Run and Long-Run Macro Models <i>invest 0 – overview</i>	See Assignment 3
4 2/11	How Money Matters - The Transmission of Monetary Policy <i>invest 1-stock Clicker Quiz 1</i>	Etc.
	THE FED AND MONETARY POLICY	
5 2/18	The Structure and Role of the Fed and other Central Banks <i>advise - college etc Resume</i>	”
6 2/25	Money Creation and Control <i>invest 2A-more stock</i>	”
7 3/3	Old and New Tools, Goals and Strategies of Monetary Policy <i>chair game</i> Clicker Quiz 2	“
	BANKS AND OTHER INTERMEDIARIES	
8 3/10	Banking Basics <i>invest 2B – more stock H</i>	“
	SPRING BREAK 3/14-3/22	
9 3/24	Banking – Evolution ,Structure, Regulation and Crises <i>Last day to drop with a W is 3/23 advise - careers</i>	“
	THE FINANCIAL SYSTEM	
10 3/31	The Financial System <i>Invest 3-mutual funds Clicker Quiz 3</i>	“
11 4/7	Financial System Regulation <i>advise – grad school H</i>	“
12 4/14	The Measurement of Interest Rates and Returns <i>invest 4-bonds</i>	“
13 4/21	Determinants of Interest Rates and Rates of Return Clicker Quiz 4	“
14 4/28	International Finance and Monetary Policy / The Financial Crisis <i>invest 5 – derivatives</i>	“
	FINAL EXAM Friday May 8 noon (don't make plans for that day)	