Econ-301: Money and Banking

Summer 2011, Rutgers University

Instructor: Cesar E. Tamayo
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Office hours: Mondays 10:30am - 12:30pm or by appointment

Course duration: July 11th to August 17th
Class meets: Mondays to Thursdays 8-10am
Room: Scott Hall-202
Prerequisites: Econ 102 (Intro to Micro) and Econ 103 (Intro to Macro).

1 Course overview

To say that monetary policy and the financial system play a significant role in shaping the modern economy will be a big understatement. The mechanics of financial markets, the dynamics of interest rates and the interaction between these and the real economy, are at the core of most decisions taken by households, firms and governments. Moreover, after the substantial economic shakedown of 2007-2009, these have become interesting times to study the interaction between the monetary authority (the FED), financial institutions and the people at large. In this course we will cover some of the theoretical and practical issues related to monetary policy and financial intermediation.

2 Learning outcomes

Students who satisfactorily complete Money & 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.

3 Textbook and readings

- The required textbook for this course is: "The Economics of Money, Banking and Financial Markets" by Frederic S. Mishkin, 9th edition (Pearson).
- Additionally, I may ask you to read excerpts from (non-technical) journal articles and research papers. These will usually be available online or I will circulate them by email.
4 Grading, attendance, etc.

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<td>Quiz No.1</td>
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<td>Midterm</td>
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<td>Quiz No.2</td>
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<td>Final</td>
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- There will be NO makeup exams except under extraordinary circumstances.
- Academic integrity is very important. Cheating in the exam is considered as a serious violation and will be referred to the school authority.
- During class I will give homework problems for you to practice what we cover in class. These problems will not be graded but must be submitted as they will help us identify strengths and weak points before the examinations.
- This is a short, intensive course so students are expected to attend every class.

5 Tentative program

1. An Overview of the Financial System (Chapter 2)
2. What Is money? (Chapter 3)
3. Understanding interest rates and their behavior (Chapters 4-5)
4. Risk premium, term structure of interest rates and asset markets (Chapter 6-7)
5. Banks and other Financial Institutions: history, structure, regulation (Chapters 8-10)
6. Information asymmetries, bank runs and financial crises (Chapter 9)
7. Central banking and the FED: history, structure and objectives (Chapter 13)
8. The money supply process (Chapter 15)
9. The foreign exchange market (Chapter 17)
10. Monetary policy: tools, targets and other issues (Chapter 16)
11. Money and the financial system in macro models (Appendix to Chapter 1, Chapters 20-22)
12. Financial crises revisited (If time permits)