Purpose: This course provides an introduction to money, banking, and financial markets, from both a theoretical and policy perspective. Students will learn the functioning of financial markets such as bond, stock and foreign exchange markets, the role of financial institutions and money in the economy. A particular emphasis is placed on understanding banking crisis and banking regulation throughout the semester.

Readings: You should keep up with the required reading every week. Mishkin can be purchased or rented from the Broad Street Bookstore. The other assigned articles are on e-reserve (password is “Econ241”).
  • Assigned Articles

Course Grading: There will be 5 important factors that determine your final grade: 1 midterm exam (20%), 7 homework assignments (15%), group project (15% for paper & 5% for presentation), class participation (5%), and cumulative final exam (40%). The weights given to these components are in parenthesis.

Class Participation: I consider 3 factors to be important. First, class attendance is important, without which you cannot participate in class. Second, I highly value questions. There are no such things as dumb questions. Do not let unresolved questions linger too long. I will do my best to resolve them in class. Second, I ask some questions every now and then in class. I appreciate any students who try their best to come up with reasonable answer in class. I consider both quality and quantity of class participation for final grades. If you know that you will have to be late and/or leave early, please let me know in advance.

Exams: Midterm exam is in class on Wednesday, October 10th. Cumulative final exam is on Saturday, December 15th, from 2-5. There will be no make-up exams. If you cannot take an exam in the case of medical emergency, you must give me a written proof; otherwise, you will receive zero for the missed exam.

Homework Assignments: There will be 7 homework assignments consisting of analytical questions and short essays. You are encouraged to work with your classmates but must turn in your own answers. If you work with your classmates, write down the names of those people. Rosa Hayes, my CA, will hold review sessions from 8-9 pm on 9/16, 9/23, 9/30, 10/7, 10/28, 11/4, and 11/11 in PAC004 to answer your questions.

Group Project: You will be working in a group of 3-5 students to write a “crisis report” due on Monday, November 19th and present it in class. In the group project, you pick a particular financial crisis episode, do extensive research on it, and report on various aspects of that financial crisis (e.g., its causes and consequences, the responses of governments, etc.). I will give more details later, but I strongly encourage you to start finding your group members early.
Course Outline

September 3. Introduction
  • Chapter 1

September 5. Adverse Selection Problem
  • Chapter 2

September 10. Understanding Interest Rates -- Assignment 1
  • Chapter 4

September 12. The Behavior of Interest Rates
  • Chapter 5

September 17. The Risk and Term Structure of Interest Rates -- Assignment 2
  • Chapter 6

September 19. The Stock Market, the Theory of Rational Expectations, and the Efficient Market
  • Chapter 7

  • Chapter 8

September 26. Banking and the Management of Financial Institutions
  • Chapter 10

October 1. Economic Analysis of Financial Regulation -- Assignment 4
  • Chapter 11

October 3. Financial Crisis I
  • Chapter 9

October 8. Financial Crisis II -- Assignment 5

October 10. Midterm

October 17. Monday
  • Chapter 3

October 22. Central Banking
  • Chapter 13

October 24. Federal Reserve and Lender of Last Resort

**October 29.** Money Supply Process -- *Assignment 6*
- Chapter 14

**October 31.** Tools of Monetary Policy
- Chapter 15

**November 5.** The Conduct of Monetary Policy: Strategy and Tactics -- *Assignment 7*
- Chapter 16

**November 7.** The Foreign Exchange Market
- Chapter 17

**November 12.** The International Financial System Chapter 18 -- *Assignment 8*
- Chapter 18

**November 14.** TBD

**November 19.** TBD - Crisis Report

**November 26.** Group Presentation

**November 28.** Group Presentation

**December 3.** Group Presentation

**December 5.** Group Presentation

**December 15.** Final Exam (2-5pm)