ECON 241 Money, Banking, and Financial Markets
Fall 2014 Syllabus

Instructor: Pao-Lin Tien
Office: PAC312
Office Hours: Tue 10am-12pm, Wed 1:30pm-3:30pm
E-mail: ptien@wesleyan.edu

TAs: Tuan Nguyen Viet
E-mail: anguyenviet@wesleyan.edu

Introduction

Money and banking is an applied course in macroeconomics. In this course we will examine how financial markets and financial institutions work and explore the role of money in the economy. We will study selected elements of macroeconomics theory and monetary policy, including the money supply process and the conduct of monetary policy in the United States, with an emphasis on current policy issues. We will also discuss current economic events and how they affect financial markets and monetary policy.

Prerequisites

It is necessary to be competent with basic algebra manipulation. Knowledge of simple economic terms and concepts is expected.

Readings

The Economics of Money, Banking, and Financial Markets (10th Edition) by Frederic S. Mishkin is the textbook adopted for this course. Additional readings will be provided during the course. These readings may be from other texts or magazines and newspapers that talk about current and relevant economic issues in the real world. Some materials may also be covered in class but not in the text.

Course Requirements

There will be two in-class exams and a comprehensive final exam, plus regular homework assignments and a small-group project (details on the project will be given in a separate handout).

Final grade will be allocated according to this scale:
Exam1 15%
Exam2 20%
Final 30%
Homework  15%
Project   15%
Class Participation  5%

Exams will take place in class on the following dates:
Exam1    September 30th, 2014 (Tue) during class hours
Exam2    November 4th, 2014 (Tue) during class hours
Final    December 13th, 2014 (Sat) 2-5pm

Make up exams will not be possible so attendance is required on the stated exam dates. No exceptions will be made (so please don’t schedule flights that leave before your final exam!).

On time completion of required readings and assignments are expected. Late assignments will NOT be accepted. However, you are allowed to drop one homework assignment from the calculation of your final grade.

Any student who misses (or expect that he/she will miss) an exam or assignment deadline due to serious medical or family-related emergency must inform me and provide the required documentation either prior to the exam/assignment due date or no later than the end of the class meeting following the exam/assignment due date. Upon verification of the validity of the documentation, a heavier weight will be placed on the other exams in the case of missing an exam. In the case of late assignments, I will allow an additional homework to be dropped from the calculation of the final grade. Note that you are only allowed to miss a maximum of one exam and two homework assignments. If you miss more than one exam (regardless of the reasons) I would recommend withdrawal from the class since chances of you passing the class is slim. If you miss more than two assignments, 0 points for the additional missed assignment would apply.

All assignments should be submitted in class. If for some reason you cannot attend class and wants to hand in the assignment using other means (such as the class lockbox in the econ alcove), you must inform me first. I need to know where and when you’ve left your assignment in order to determine that the assignment has been handed in by the relevant deadline. The assignment will be considered late and not accepted for grading if you fail to comply by these guidelines.

I will try to be prompt in grading and returning assignments and exams. I will also be as careful as possible in assigning grades. However, if you believe a grading mistake has been made, you may submit a written request for a re-grade of the whole exam/assignment within a week after the exam/assignment has been returned, carefully explaining why you believe the grade assigned is incorrect. Be forewarned, however, that your grade may go up or down as a result of a re-grade.

Five percent of your grade is based on class participation, which may include answering problems assigned for homework in class. You should come to class prepared, which means reading the assigned material and doing the assigned problems. You may be called on in class to answer questions and you may be asked to show how you solved a problem. Someone who actively participates will get 5 points; someone who participates somewhat
will get 4 points; someone who seldom participates will get 3 points; someone who does not participate much and misses up to three classes will get 2 points; someone who misses 4 or more classes will get 1 point; and someone who does not participate at all and is often absent or tardy will get 0 points.

Course Outline

Introduction

1. Why Study Money, Banking, and Financial Markets? (Chapter 1)
2. An Overview of the Financial System (Chapter 2)
3. What Is Money? (Chapter 3)

Financial Markets

4. Understanding Interest Rates (Chapter 4)
5. The Behavior of Interest Rates (Chapter 5)
6. The Risk and Term Structure of Interest Rates (Chapter 6)

Financial Institutions

7. Financial Crises (Chapter 9)

Central Banking and the Conduct of Monetary Policy

8. Central Banks and the Federal Reserve System (Chapter 13)
9. The Money Supply Process (Chapter 14)
10. The Tools of Monetary Policy (Chapter 15)
11. The Conduct of Monetary Policy: Strategy and Tactics (Chapter 16)

Monetary Theory

12. Aggregate Demand and Supply Analysis (Chapter 22)
13. Monetary Policy Theory (Chapter 23)
14. The Role of Expectations in Monetary Policy (Chapter 24)
15. Transmission Mechanisms of Monetary Policy (Chapter 25)

Special Notes

For this course, we’ll follow the Mishkin text fairly closely. However, from time to time I will include information or readings from other sources. So the powerpoint slides I provide (these will be made available the day before the lecture) and the notes you take during class would be your best resource for studying for the exams. I will make notes in your exam study guides if there are certain readings in the text or outside the text that you need to pay attention to.
Please come to class punctually and be prepared to participate in class discussions. Turn off your cell phone during class. *The use of laptops is not allowed in class.*

In an effort to improve efficiency during office hour times, if you’d like to come in to see me, please try to sign up for an office hour slot using the following link to Google Docs (link also available on Moodle):
https://docs.google.com/spreadsheets/d/1k3w7RjprM2hkNtS-iT_UParioNkJr1JalVTYuVSs/edit?usp=sharing
The sign-up sheet will be updated every Thur with slots for the following week. Please try not to sign up for more than one slot at a time (but you can certainly stay longer in the office if that becomes necessary and no one else is around), and try not to change the time slot you signed up for after you’ve committed to it.

All students are expected to adhere to the Wesleyan University Honor Code (http://www.wesleyan.edu/studentaffairs/honorboard/honorcode.html). If you have questions regarding plagiarism and the appropriate way to give credit to sources in any work you submit, please contact me or schedule an appointment with the Olin librarians. You are allowed to work on the homework with your classmates, but you must hand in your own copy of the homework with the answers written out in your own words. No credit will be given for homework with exactly the same answers. I will not tolerate academic dishonesty. Any such behavior will be reported to the VP for Student Affairs and the Student Honor Board.

Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in and benefit from its programs and services. To receive accommodations, a student must have a documented disability as defined by Section 504 of the Rehabilitation Act of 1973 and the ADA Amendments Act of 2008, and provide documentation of the disability. Since accommodations may require early planning and generally are not provided retroactively, please contact Disability Resources as soon as possible. If you believe that you need accommodations for a disability, please contact Dean Patey in Disability Resources, located in North College, Room 021, or call 860-685-5581 for an appointment to discuss your needs and the process for requesting accommodations. The Disabilities Services website is http://www.wesleyan.edu/studentaffairs/disabilities/index.html. Note that I will not be able to provide accommodations to students who claim disability without documentation, hence please make sure you sort things out with Dean Patey and get the documentation to me before your first assignment or exam is due.