Economics 241: Money, Banking and Financial Markets  
Fall 2015 (ALLB004, TTh 2:40-4:00)

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Purpose: This course provides an introduction to money, banking, and financial markets, from both a theoretical and policy perspective. You will learn the functioning of financial markets such as bond and foreign exchange markets, the role of financial institutions and money in the economy.

Warning: This is a course designed for students who have taken Econ110 or Econ101 but have yet to take Econ302. Hence, those of you who have already taken Econ302 will benefit more from taking a 300 level elective, instead. I must also presume that you have retained most of what you learned in Econ110 or Econ101 as I will cover a wide range of topics in a short time period. You may find the class to be too fast-paced and/or too confusing to keep up with in class. These are warning signs. You should not ignore them. Please come to my office and seek help.

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 uploaded to the Moodles.

- Assigned Articles

Class Attendance: Class attendance is expected. It is the most important component of this class. Be sure to take a good note, ask questions if you have any, and make a note of any concept which you do not quite understand (so that you can resolve them later). It really makes no sense to miss a class; i.e., the marginal cost of missing a class in terms of the amount of time you will need to spend to catch up with the material is large. You are responsible for being informed of all announcements made in class, as I will not repeat the same announcements. In the past, class attendance is a strong correlate of performance midterm and final exams.

Class Participation: Please ask a lot of questions. It is good to try to resolve your questions in class instead of letting them linger. Your questions are likely to generate positive externalities since more likely than not, your peers have the same questions that you do. I will also go through many examples and questions in class, which should provide you with the opportunities to participate in class. I assign your class participation grade based on my evaluation of how much positive externalities (and in a very few cases negative externalities) you have generated. Historically, most students receive 5 out of 5 points for class participation with some receiving a few extra points for making significant positive contributions to the class. While I have appreciation for students who have positive impacts on other students’ learning, I have zero tolerance of disruptive and
distractive behaviors that adversely affects the learning opportunities of other students (i.e., negative externalities). In particular, do not:

- Come to class late and/or leave in the middle of the class on a regular basis.
- Use a cell phone in class.
- Use a laptop for playing games, e-mailing, web browsing, and social networking.

Now, you have been warned. If you exhibit these behaviors, I might warn you again, but more likely than not, I will make a note of it without warning. I have no hesitation of giving 0 for class participation if you exhibit disruptive and distractive behaviors.

**Problem sets:** Problem sets are probably the second most important component of your learning process. Do it all by yourself first, spend a lot of time on it, and check whether you can piece together the materials to solve difficult problems on your own. If you are struggling with it, be sure to ask my teaching assistant or me for help. There will be 11 problem sets. It must be turned in by 3pm on Friday afternoon. Each quiz is worth 1 point. It will be given a check (2 point), check minus (1 point), or 0 point depending on the quality of your work. If you cannot turn in your problem set due to a family or medical emergency on time, then I will give you an additional week to turn it in. For any other reason, you will be given 0 point for the missed quiz. If you miss the deadline but turn it in by Monday morning at 9, you will be given check minus (1 point) or 0 point. I will drop your lowest quiz when calculating the final grade; hence, the total point for the quiz is 2x10=20.

**Office hours and review sessions:** Office hours and review sessions are the third most important component of your learning process. My office hours are on Friday from 9-11:30. Feel free to drop by my office when the door is open or make an appointment. I have hired a very smart, hard working, friendly, and helpful student (Chris Nanda) as a teaching assistant who will hold weekly review sessions and help you with your questions. Review sessions are on Wednesday from 7:00 pm to 10:00 pm in FISK302 and Thursday from 7:00 pm to 10:00 pm in PAC107. Chris’s e-mail address is cnanda@wesleyan.edu.

**Midterm Exam:** There will be 3 non-cumulative midterm exams (Thursday, 10/1, Thursday, 10/22, a day before the fall break, and Tuesday, 11/24, a day before the Thanksgiving break). It consists of 10 questions, each of which is worth 2 points; hence, the total point for each midterm is 2x10=20. There will be no makeup midterm exam. If you cannot take a midterm due to a family or medical emergency, then I will assign your grade from the final exam to the missed quiz at the end of the semester. For any other reason, you will be given zero. I will enforce the time limit strictly. You must bring a calculator, without which you will not be able to solve some of the questions, completely. When I say, “time is up”, you must stop writing and put down your pen/pencil. The failure to abide by this rule will result in loss of 2 points. Some of the questions will be similar to the ones that you will see in class and in problem sets, and thus it is important to attend each class and work diligently on the problem sets.
**Final Exam:** The cumulative final exam will be on 12/15 from 7-10:00pm. It consists of 15 questions of varying difficulty, each of which is worth 3 points; hence, the total point for the final is 3x15=45.

**Course Grading:** Final grades are calculated as the total of 5 components: class participation (5 points), problem sets (20 points), 3 midterm exams (60 points), and a final exam (45 points). Roughly speaking, the final letter grade corresponds to total points as follows: A+ (130-126), A (125-121), A- (120-116), B+ (115-111), B (110-106), B- (105-101), C+ (100-96), C (95-91), C- (90-86), D+ (85-81), D (80-76), D- (75-71), E+ (70-66), E (65-61), E- (60-56), F (55-0).

**Policy on Re-grading:** If you dispute the grade you received for any assignment, you must submit, in writing, a detailed and clearly stated argument for what you believe is incorrect and why. This must be submitted to me no later than the beginning of class one week after the assignment was returned. Requests for a re-grade after this time will not be accepted. If you request a re-grade within the appropriate timeframe, a written response will be provided within one week of your request. This re-grade and written response is final. Please note that a request for a re-grade of a specific problem may result in a re-grade of the entire assignment. Therefore, a re-grade request may result in an increase or decrease of your overall score for the assignment. Historically, the only case that resulted in an increase of your overall score was when I made mistake in adding up points.

**Honor Code:** Honor board violations are offensive to your classmates and not tolerated. I have filed a variety of honor board violations to the honor board (e.g., “copying and pasting” in your research paper, using cell phone to find answers or peeking into your classmates’ answer during an exam). Do not make me do it.

**Disability Resources**
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.
Course Outline

Week 1: Introduction (Chapters 1-3)

Week 2: Interest Rates (Chapters 4-5)

Week 3: Risk and Term Structure of Interest Rates (Chapter 6)

Week 4: Central Banking I (Chapter 13)

Midterm #1 on Thursday, 10/1

Week 5: Money Supply Process (Chapter 14)

Week 6: Tools of Monetary Policy (Chapter 15)

Week 7: Strategy of Monetary Policy (Chapter 16)

Midterm #2 on Thursday, 10/22

Week 8: Quantity Theory of Money (Chapter 19)

Week 9: IS Curve (Chapter 20)

Week 10: Aggregate Demand and Aggregate Supply (Chapters 21-22)

Week 11: Monetary Policy Theory (Chapters 23-24)

Midterm #3 on Tuesday, 11/24

Week 12: Foreign Exchange Market (Chapter 17)

Week 13: International Financial System (Chapter 18)

Final Exam on Tuesday, 12/15, from 7-10:00pm