**SYLLABUS**

**Economics 411W: Money and Banking**

**MW 2:30 to 3:45 PM**

**Emory University, Fall 2014**

**Michael F. Bryan**

Office: Rich 311B

Usual\* office hours: Mondays, 12:45-2:15 and Wednesdays, 1:15 to 2:15.

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\* There will occasionally be instances when my usual office hours are not possible. You will be advised in class and via Blackboard whenever such times arise.

**Textbook (required):** Ball, Laurence, Money, Banking, and Financial Markets (2nd edition).

**Course Description:**

This course examines the role of money and credit in the economy, with an eye toward understanding government regulation of financial markets and central bank policies.

The first half of the course considers the economics of the financial system with a special emphasis on the theories and history of payment and credit instruments, and the management of risk by financial intermediaries. The second half of the class builds upon the foundations of money and credit developed in the first half and considers the macroeconomic, macroprudential, and regulatory policies of the government (and of the Federal Reserve System in particular) aimed at promoting economic stability.

This course is being presented in an exceptional and unpredictable economic environment, and students should anticipate modest changes in the schedule of topics should events warrant. I will try to give advance warning of a change in topic via email and on Blackboard.

**Course Materials:**

Class lectures will be based on Larry Ball’s Money, Banking and Financial Markets (2011), supplemented with assigned, *required* readings. The readings will be distributed in class or will be made available online.

Every effort will be made to assign supplemental readings well in advance of the class for which they are assigned. However, reading assignments will often be very topical and may have only recently become available.

**Grading Criteria:**

Student grades will be determined by your classroom standing based on the combined performance on a midterm examination, a final examination, five writing assignments, and a term paper. The weigh given to each is described below:

Writing assignments (10%)

Term Paper (25%)

Midterm examination (25%)

Comprehensive final examination (40%)

Grades based on classroom standing will *approximate* the following distribution:

The top 1/3 of the class will receive an A. The next ½ of the class will receive a B. The remainder will receive a lesser grade depending upon how far performance deviates from the classroom norms. Borderline cases will be given the benefit of the doubt—they will be moved to the higher grading category.

**Writing Assignments**

A key objective of this class is to help you develop your ability to think about an issue and then articulate your thoughts in a creative, but disciplined way. These essays are intended to encourage that process. During the semester, I will assign five topics for you to consider, and then write a short (roughly two paragraph) response. You will have one week to complete each assignment. The writing assignments MUST be completed by the time of class one week hence. These assignments will be graded as either completed or not completed, but you will not receive a specific grade. I will, however, offer some thoughts on your essays when I think comment might be constructive.

**Term Paper**

Each student is expected to write a term paper on a topic relevant to the course, but of your choosing. I will also make suggestions for possible topics should you need. The paper must be typed, double spaced, and roughly 12 pages in length, exclusive of tables and references. Details of the term paper will be forthcoming. However, please anticipate that a brief abstract on the topic you are considering will be due on October 8th, a first (but preliminary) draft will be due November 24th, and the revised, completed paper is due December 8th (final scheduled class). These dates are firm, and failure to adhere to them will result in a significant grade penalty.

The paper will be graded roughly as follows: 40% for content and conceptual clarity; 40% for the integration of classroom content, and 20% for grammar and style.

**Midterm and final examinations** will be a combination of short answer (40%) and essay (60%) format. Students will be asked to answer all short answers and a selection of essays (e.g. 3 of 4.) Short answers will, ordinarily, be either acceptable or unacceptable. Essays will be evaluated and ranked relative to the answers of your fellow students. Students will be not be penalized for grammar, although essays that are exceptionally hard to read will remain unread. All examinations will be taken in the classroom and no additional resources will be permitted.

A student who fails to take the midterm or final examination at the scheduled time may not make up the examination without written permission from a dean in the Office for Undergraduate Education.

**Course Website:**

Course materials will be posted on the course Blackboard site.

**Honor Code:**

By taking this course, you affirm that it is a violation of the code to cheat on exams, to plagiarize, to deviate from the teacher’s instructions about collaboration on work that is submitted for grades, to give false information to a faculty member, and to undertake any other form of academic misconduct. You agree that the teacher is entitled to move you to another seat during examinations, without explanation. You also affirm that if you witness others violating the code you have a duty to report them to the honor council. The standards of conduct in the Emory University honor code are in effect for this class. You will be asked to attest to these standards on exams and writing assignments.

**Additional considerations:**

Students with disabilities are encouraged to register with the Office of Disability Services (*ODS*). Please see me to discuss accommodations and special needs.

 **PRELIMINARY COURSE CALENDAR**

***I will make a reasonable effort to keep close to this schedule. However, it is possible that the pace of the lectures will vary slightly from subject to subject. A student can anticipate a few (perhaps up to three) additional, short (topical) readings per week. You will be advised of these readings in class and on Blackboard.***

**DATE**  **TOPIC/SPECIAL DATES READINGS Comment**

Aug. 27 Introduction to the course.

Sept. 1 LABOR DAY BREAK

Sept. 3 Introduction to the financial system. Ball Chp. 1

Sept. 8 Money and central banking. Ball Chp. 2

Sept. 10 --continued. Assign. 1 due

Sept. 15 Asset prices and interest rates. Ball Chp. 3

Sept. 17 --continued.

Sept. 22 Theories of interest rate behavior. Ball Chp. 4

Sept. 24\*\* --continued.

Sept. 29 Securities markets. Ball Chp. 5

Oct. 1 Foreign exchange. Ball Chp. 6

Oct. 6 Asymmetric info. and fin. Intermed. Ball Chp. 7

**Oct. 8 Midterm examination 1 Chps. 1-7** Abstract due

Oct. 13 FALL BREAK

Oct. 15 The banking industry. Ball Chp. 8

Oct. 20 The business of banking. Ball Chp. 9

Oct. 22 Banking regulation. Ball Chp. 10

Oct. 27 Money and interest rates. Ball Chp. 11

Oct. 29 Basics of the business cycle. Ball Chp. 12

Nov. 3 --continued.

Nov. 5 Traditional monetary policy. Ball Chp. 13

Nov. 10--continued.

Nov. 12 Inflation and deflation. Ball Chp. 14

Nov. 17 Economic stabilization. Ball Chp. 15

Nov. 19 --continued.

Nov. 24 Monetary policy strategies. Ball Chp. 16 First draft due

Nov. 26: THANKSGIVING BREAK

Dec. 1 Money and exchange rates. Ball Chp. 17

Dec. 3 Financial crises. Ball Chp. 18

Dec. 8 Conclusion and review. Final draft due

**Dec. 12 FINAL EXAM (8 to 10:30 AM) Chp. 1-18**

**\*\*potential scheduling conflict. You will be advised shortly.**

**August 27th required “readings”:**

1. **Speech: *The Importance of Financial Markets in Economic Growth***

**Stanley Fischer, August 21 2003** [**http://www.iie.com/fischer/pdf/fischer081103.pdf**](http://www.iie.com/fischer/pdf/fischer081103.pdf)

1. **The history of microfinance, Muhammad Yunus (video),** [**https://www.youtube.com/watch?v=6UCuWxWiMaQ**](https://www.youtube.com/watch?v=6UCuWxWiMaQ)
2. **Press Release, Federal Open Market Committee, July 30th, 2014** [**http://www.federalreserve.gov/newsevents/press/monetary/20140730a.htm**](http://www.federalreserve.gov/newsevents/press/monetary/20140730a.htm)