

ECO 301: Money and Banking
Instructor: James Murray, Ph.D.
Spring 2012

Instructor Information

James Murray, Ph.D.
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Meeting Time / Location

11:00am - 11:55am, Monday, Wednesday, Friday, Room 230 Carl Wimberly Hall.

Because the door to the classroom is in the front of the room, arriving late can be very disruptive to the class. Please be respectful of your instructor and your fellow classmates and arrive *before* class begins.

Course Description

An introduction to money, monetary policy, and banking, and their roles in the modern market economy. Attention is devoted to the current institutional structure in the U.S. and differing views on the relationship between money and the level of economic activity. Prerequisites: ECO 110, ECO 120.

Course Goals

The purpose of this course is to introduce students to financial and monetary markets and examine them within the context of the functioning of the macroeconomy. The goal is to provide students with an analytical framework for identifying problems in financial markets and the macroeconomy, and thinking about appropriate economic policy that influences financial and monetary markets to remedy such problems.

Learning Objectives

For successful learning, it is important that you understand why we do the reading, lectures, assignments, etc, we do. Everything we do in this class is meant to achieve the learning objectives below. It would be useful for you to pay careful attention to what learning objectives the lectures and assignments are meant to achieve.

1. Understand and appreciate the importance of financial markets for the overall functioning of the economy.
2. Understand the role money plays in the interaction with markets for other assets.
3. Predict changes in interest rates using fundamental economic theories including present value calculations, behavior towards risk, and supply and demand models of money and bond markets.
4. Explain the structure of the Federal Reserve System and the mechanisms in which it controls the money supply.
5. Analyze macroeconomic problems and prescribe appropriate monetary policy solutions.

Course Resources

1. Textbook: Hubbard, R. Glenn, and O'Brien, Anthony P., *Money, Banking and Financial System*. Addison-Wesley.
2. Class website: <http://www.murraylax.org/eco301/spring2012/>. All material handed out in class will be posted on the class website. Grades, announcements and other communication will be done through Desire2Learn.
3. *Desire2Learn* will be used for turning in homework assignments, taking quizzes and exams, and communicating grades.
4. *PollEverywhere.com* will be used to ask classroom assessment questions, which you can answer with a text message or a computer. This is a similar technology to using clickers, except you do not need a clicker. You can use your cell phone to text you answers, and the answer will appear immediately (anonymously) on the screen in front of the class. I will be grading the polling questions, as this is an essential piece of class participation.

Office Hours

Regular office hours are 2:00pm - 4:00pm on Tuesdays and Thursdays. These are times when you can drop by announced and expect me to be in my office. If you would like to schedule an appointment for an alternative time, please send me an e-mail. Frequently keeping up with the material usually requires frequent office visits, so I feel frequently coming to my office for questions is essential to your success.

Office hours are not a substitute for attending class. Except when missing class for very extreme circumstances that were promptly discussed with me, it is not acceptable to use office hours to ask questions about material you missed while not in attendance.

Outside of my regularly scheduled classes and office hours, my availability changes all the time. You can visit my calendar at <http://www.murraylax.org/calendar.html>. It is constantly updated.

OFFICE HOURS SATISFACTION GUARANTEED!

I guarantee that coming to office hours to ask questions on material you don't completely understand will increase your grade in the class. If you come to office hours and still get questions wrong on the exam about the topic we discussed, I will give you those missed points back! This guarantee is subject to the following conditions:

1. Return of missed points is good for up to two topics on each exam, and up to a total of 10 percentage points per exam.
2. You and I must agree in writing using the form at the end on the syllabus, the topic that is guaranteed, and we both agree that I have explained the topic sufficiently, and that you have acquired a good understanding from our discussion.
3. You must have attended class when the topic was initially taught.
4. Only three guarantee forms may be filed before each exam.
5. Only one guarantee form may be filed on a single day. Therefore filing two or three guarantee forms will require two or three separate office hours visits, respectively.
6. After the exam, if you get questions wrong that were guaranteed, it is your responsibility to present your copy of the guarantee form and notify me you should get the points back.

Assessment

Learning will be assessed through weekly quizzes, homework, and exams. The grading breakdown will be:

- Quizzes / In-class Exercises / Homework: 14%
- PollEverywhere Text Questions: 4%
- Exam 1: 20%
- Exam 2: 20%
- Exam 3: 20%
- Cumulative Final Exam: 20%
- Required Economics Seminar Summaries (2 required): 2%
- Extra-Credit Economics Seminar Summaries (maximum 2): 2%.

Grade Breakdown

93-100	A	67-76	C
89-92	AB	57-66	D
81-88	B	0-56	F
77-80	BC		

I reserve the right to scale every person's grade up by the same amount on any graded item in the event that much of the class falls short of the scale above. However, even if the grades are significantly low, there is no guarantee that I will ever do this.

Quizzes / Homework / In-class exercises

There will be many announced quizzes, unannounced (pop) quizzes, and in-class exercises given throughout the semester. Adequate preparation for these will involve reading ahead for class and completing homework assignments on time. Classes will begin with your questions so that you can resolve any problems with assigned work before the quiz begins. Quizzes may sometimes be open book and/or open note. Sometimes in-class exercises will be given, some of which must be done in small groups. Homework assignments will be given almost every week.

PollEverywhere Text-Messaging Assessment

I will be utilizing online software provided by PollEverywhere.com that allows me to receive text-message answers from class participants to questions I pose to the class. You might think of this technology as similar to clickers, but you do not need to use a clicker. You use your cell phone to text-message the answer, or you can use a laptop or other mobile device with Internet access to send the message. Results will appear anonymously on the screen, but I will receive a private data-file of your answers attached to your identity, so that I can use these for grading purposes. You will receive an e-mail from PollEverywhere that will invite you to participate. There is a once-per-year fee of \$14 to register. A number of CBA faculty are beginning to also adopt this technology, so if you have more than one class that uses PollEverywhere, you only need to pay once.

I will ask a couple of PollEverywhere questions during every class period. Each PollEverywhere question is worth 2 points. While these questions are counted in the final grade, it is meant to reward participation and effort, and not meant to be a punishment for students who attend every class and stay engaged. Consequently, some questions will be rewarded fully for effort. Other questions, such as multiple choice questions, will be rewarded 1 point for an incorrect answer, 2 points for a correct answer, and 0 points for no participation.

Exams

There will be three midterm exams and one cumulative final exam. Each exam is worth 20% of final course grade. All exams require a calculator, so be sure to bring a calculator to class on exam days. The calculator must not have non-calculator features (ex: Internet, text messaging, telephone). You may not share calculators with other students. If you forget a calculator, it is certainly possible to make all necessary computations with a pencil and paper. The three midterm exams will be administered during regular class time and the final exam will be administered during final exam week according to the University final exam schedule. The exam dates are as follows:

- Exam 1: Friday, February 24.
- Exam 2: Friday, April 6.
- Exam 3: Friday, May 4.
- Final Exam: Friday, May 7, 2:30pm-4:30pm.

Economics Department Seminar Summaries

The Economics Department regularly brings in speakers that present new research in economics that they are in the process of creating. This is a unique opportunity to see where economics knowledge is expanding beyond your textbooks, right from the source where knowledge is being created. You will be required to attend at least two of these seminars and write a 300-400 word summary.

EXTRA CREDIT OPPORTUNITY: You will also be able to earn extra credit for attending and summarizing an additional two seminars. If there are seminars beyond these four, you are of course still welcome to attend!

Note, most of these seminars may not be specifically about money and banking. This is expected. Regardless of the 300-400 level economics courses you may currently be taking, it is important for economics students of your level to begin developing an interest and knowledge in advanced topics of economics in a variety of fields. The schedule for the seminars will be posted on the class website when dates and times are known. The seminars are usually scheduled on Fridays at 3:30pm (not every week, about 4 per semester).

Attendance

Attendance is required to receive credit for quizzes, in-class exercises, and exams. However, if you need to miss a class day or exam day because of illness or emergency you can be excused and arrangements can be made for you to make up missed work. Attendance to your group meetings is always required, unless your group excuses you for illness or emergency according to the terms of your group's contract.

E-mail Guidelines

I insist on the following e-mail etiquette rules (many of these are also recommended by the College of Business Administration). Failure to adhere to these guidelines will result in a reply with a friendly reminder to follow these e-mail guidelines.

- Questions sent by e-mail should be able to be answered with only a few words, such as 'yes' or 'no' questions. Questions whose answers involve explaining class material are not appropriate over e-mail. For answers to these questions you should come to office hours, or send an e-mail requesting we meet at a different time.
- Always include a subject that is brief but still has sufficient detail.
- Look at your class notes and syllabus before sending an e-mail. Do not ask a question whose answer is on the syllabus or announced in class (unless you missed class for a legitimate reason).
- Always spell check, grammar check, and re-read your e-mail before sending it.
- When requesting to meet with me outside of regularly scheduled office hours, consult my calendar (<http://www.murraylax.org/calendar.html>) and suggest a time we meet in your first e-mail correspondence.

Disabilities

Any student with a documented disability (e.g., physical, learning, psychiatric, vision, or hearing, etc.) who needs to arrange reasonable accommodations must contact the instructor and the Disability Resource Services office (165 Murphy Library, 785-6900) at the beginning of the semester. Students who are currently using the Disability Resource Services office will have a copy of a contract that verifies they are qualified students with disabilities who have documentation on file in the Disability Resource Services office. It is the student's responsibility to communicate their needs with the instructor in a timely manner.

Academic Dishonesty

I follow the policy stated University Academic Handbook with regard to cheating and academic dishonesty. The student handbook can be found online at http://www.uwlax.edu/studentlife/eagle_eye.htm. In the event a student is caught cheating I will pursue the harshest penalty that the University will allow, regardless of how small the offense may appear.

Preliminary Topics Schedule

Below is a detailed list of topics and readings for this class. This is a preliminary schedule; depending on time constraints and the topics the class finds most interesting, we may choose to not cover some of the items below, cover items that are not shown below, or re-arrange the schedule. Details about the dates these topics are covered will be posted on the calendar on the class website,

<http://www.murraylax.org/eco301/spring2012/calendar.html>

1. Introduction

- Introduction to Money and the Financial System: Hubbard & O'Brien, Chapter 1.
- Overview of financial system: Hubbard & O'Brien, Chapter 2.

2. Financial Markets

(a) Behavior of Interest Rates.

- Basics of interest rates: Hubbard & O'Brien, Chapter 3.
- Supply and demand in bond markets: Hubbard & O'Brien, Chapter 4.
- Term structure of interest rates: Hubbard & O'Brien, Chapter 5.

(b) Financial Institutions

- Transaction costs and Asymmetric Information: Hubbard & O'Brien, Chapter 9.
- Economics of Banking: Hubbard & O'Brien, Chapter 10.
- Investment Banks, Mutual Funds, Hedge Funds, and the Shadow Banking System: Hubbard & O'Brien, Chapter 11.
- Financial Crisis and Financial Regulation: Hubbard & O'Brien, Chapter 12.

3. Monetary Policy

(a) Structure of the Federal Reserve System

- Hubbard & O'Brien, Chapter 13.

(b) Money Supply Process

- Hubbard & O'Brien, Chapters 14, 15.

(c) Monetary Policy Transmission

- Short run to long run, Aggregate Supply / Aggregate Demand: Hubbard & O'Brien, Chapter 17.
- IS/MP Model: Hubbard & O'Brien, Chapter 18.

ECO 301: Office Hours Guarantee

Name: _____
Date / Time: _____
Specific Topic Guaranteed: _____
Chapter / Reading Reference: _____
Description: _____

Student Signature

Instructor Signature

Student Copy

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Student Signature

Instructor Signature

Instructor Copy
