

ECO 315: Money and Banking

Fall 2020

Instructor: Peter Westin, Ph.D.

Classroom: Recorded classes posted on D2L

E-mail: pwestin1@depaul.edu

Townhall/office hours: Mon, Wed 5-6 pm

Course description

This course aims to introduce the students to two broad economic concepts: financial markets and central banking. The interaction between financial institutions and the central bank has an enormous impact on the economy. This became abundantly clear following the collapse of the financial markets in 2008 and while 8 years ago, the US, as well as the global economy, are still feeling the impact of the greatest recession since “the Great Depression” in the 1930s. Also, the Federal Reserve (as well as other central banks) is still facing monetary policy challenges as a result of post-crisis stimulus efforts, and even more so as the World is currently struggling with the COVID-19 pandemic.

We will start by learning the basic economic reasoning, tools, and concepts that rule financial markets. Subsequently, we will study the nature and role of the central bank for the economy; emphasizing the policy tools used by central banks to influence output and inflation, as well as the scope of government regulation of financial markets. We will also cover the cause of, the impact of, and the response to the 2007-08 financial crisis.

Learning objectives

Upon successful completion of the course students will understand the role of money and banks in the broader economy. Specifically, students should comprehend the unique role of banks in the financial system and learn the relevance of the Federal Reserve and related central banking topics, including the cause, policy responses, and lessons associated with the 2007-08 financial crisis.

Teaching philosophy

While not always easy, my goal is to turn, what may seem like theoretical concepts, into something practical that students can relate to. Getting a basic understanding of financial markets and corporate finance tools, as well as the accompanied jargon will, in my view, help to prepare students for life after university.

I do emphasize that you are expected to read the assigned material before the class. Being prepared means that you will be better positioned to grasp the topics discussed and also engage in the discussion, as well as being better prepared for the home assignments. Being well prepared early on will also make you better equipped for the exams.

Course format

The course is taught entirely online in an asynchronous mode. Asynchronous means that you will not have to be online at a specific time. You can progress through weekly content at your own pace. However, please keep in mind there will be weekly deadlines and assignments to complete. Your participation in this online course will equal, or exceed, that of a typical face-to-face class.

You must make sure that you have the necessary technical resources needed to access the course content and complete class activities. You will need:

- Frequent and continued access to a computer that connects to the Internet.
- A working e-mail account that **you check regularly** (and that is updated in Campus Connection).
- Access to a software suite such as Microsoft Office (Word, Excel, Power Point).
- The ability to view video files, either in a streaming (Flash) or downloadable (QuickTime, iTunes, 3GP) format.

This online course will be taught on Desire2Learn (D2L), DePaul's Learning Management System (LMS). You can access the course at: <http://d2l.depaul.edu>. You use your DePaul Campus Connect username and password to log into D2L.

Course literature

F.S. Mishkin: *"The Economics of Money, Banking, and Financial Markets"*, (2019), Business School Edition, 5th edition, Pearson

The Inside Job, Documentary about the 2008-09 financial crisis (link to free stream will be provided)

MyEconLab for Mishkin. It can be purchased directly from Pearson together with an eText version of the textbook for approximately \$110 (**it can be done through a link to Pearson on the class page on D2L**). Alternatively you can get the printed version of the textbook at a significant discount when purchased together with MyEconLab. MyEconLab will be used for your home assignments.

The students will be required to watch *The Inside Job* as part of the section on the financial crisis

Additional sources:

At the start of each class we will discuss current event and often relate to news items relevant to this course. Students are, therefore, strongly encouraged to frequently read the **financial press** (Wall Street Journal, Financial Times, Bloomberg, The Economist). Students of DePaul can access Financial Times free of charge, have special deals on Wall Street Journal subscription, as well as download the Bloomberg Business app for free.

I may also post additional relevant material on D2L

Townhalls and office hours

Given that our face-to-face interaction is limited to say the least I will host a Money & Banking Townhalls twice a week (to start with) on Zoom. This will also serve as a time where we can have a lively but respectful debate about topics related to the course or current events, as well as serve as an opportunity to go over exercises. It will also serve as my office hours as well as a forum where I will go over class material as a complement to the recorded lectures. One thing we have learnt from switching to online teaching is that morning and day-time meetings are not well attended due to work and other factors. Tentatively I am aiming for 4-5 pm Monday and Wednesday. While these meetings will not be compulsory I strongly suggest you attend for two reasons. 1. The exercises and topics covered will be great complements to the lecture material and 2. we all need some social interaction in these trying times. This will be the only opportunity for synchronous interaction. **These sessions will NOT be recorded and posted.**

You are, of course, able to schedule a meeting with me outside these times on a per-demand basis.

Grading policy and late assignments

Make-up examinations will not be given. As noted below, there are windows of time in which exams can be completed. Thus, you can choose a date and time that is convenient for you to complete the exam. Only major emergencies (e.g., hospitalization) will be considered valid reasons to request an alternative time and date for completing the exam and advance notification to the instructor is required. Aside from these cases, any exams that have not been completed by the due date will be assigned a grade of zero. Late assignments on individual or group projects will result in a 20% grade penalty for every 24 hours after the due date (see below for due dates).

The grading will be based on a mid-term exam and the final exam. The students will also be required to complete a weekly assignment in the form of a 8-12 questions per chapter, administered through MyEconLab.

Midterm exam	30%
Final exam	30%
Group project	20%
Weekly home assignments	20%

The final grade will be determined on the following scale: A: 94-100%, A-: 90-93%, B+: 87-89%, B: 83-86%, B-: 80-82%, C+: 77-79%, C: 73-76%, C-: 70-72%, D+: 65-69%, D: 60-64%, F: <60%

Exams

The mid-term exam will be multiple choice, covering materials covered thus far. The Final exam will also be multiple choice, and although cumulative, it will have a stronger focus on the material covered during the 2nd half of the course. Given the situation with COVID-19 the exams will be administered through D2L.

Home assignment

On a weekly basis I will post home assignments on MyEconLab. In most cases these will be multiple choice questions. It is important that you regularly check MyEconLab for deadlines for the completion of home assignment. **There will be a home assignment due every Sunday.** Only under very special circumstances will I extend the deadline individually. Technical problems (without a verification from Pearson help-chat which will produce a transcript) or “too much to do” will not be a valid argument. I therefore strongly recommend not leaving it up to the last minute to complete the assignments.

Group project

The class will be divided into groups of 4-5 students. Each group will produce a narrated PowerPoint or Google slide presentation on the topic “How is the COVID-19 crisis different from the 2008-09 financial crisis and/or the Great Depression?” There are different ways to approach this topic (e.g. the nature, the impact, and/or the response to the crisis, sector focus, differences, similarities, etc). The only requirement is that it has some relationship to money & banking, or general economics.

Here is a link to a Microsoft PowerPoint tutorial on how to produce a narrated PowerPoint presentation: <https://support.microsoft.com/en-us/office/record-a-slide-show-with-narration-and-slide-timings-0b9502c6-5f6c-40ae-b1e7-e47d8741161c>

Here is a link to how to narrate a presentation using Google slide: <https://hislide.io/blog/how-to-add-narration-to-google-slides-presentation/>

The grading of the Presentation will be based on 4 components:

- 1. Submitting a progress report, including minutes from one group meeting, on time:** I will provide a progress report form for you to fill out shortly after the midterm exam in which you will show that you have started to prepare for the presentation (for example, formulating some ideas of how to approach the topic, gathering of sources, statistics, and what your plan is going forward). In addition, a brief summary of one group meeting should be provided.
- 2. Structure and quality of the presentation:** Make sure you have a constructive introduction as well as conclusion, and remember that the conclusions should not contain any new information. Also, a single paragraph conclusion may not be enough.
- 3. Use of sources and data (statistics):** The use of sources does not only mean to include a bibliography, but to make references to specific sources when you make a specific statement and/or a quotation. Make sure that you do not make unsubstantiated claims/statements, but back them up with data or studies made. I also recommend presenting data in a chart or table. Also, make sure, if you are looking at a change in data, for example “the stock market has gone up 25%”: Make sure that you state over what period (year-to-date, month-on-month, year-on-year, etc). Note that there is a link at the bottom of this document to how to construct a bibliography.
- 4. Your own analysis/thoughts.** Discuss what your own views on the topic is, or a view/criticism of a certain source you are using. Or make a prediction about how something will play out. There are a number of ways that you can add your own flavor to your presentation.

There are two deadlines related to the presentation. By **July 20, at the latest**, each student will hand in a progress report, and the final product should be submitted to the designated submission folder on D2L o later than **Wednesday 19 August**.

Preliminary course schedule

DATE	MODULE	Reading	DETAILED DESCRIPTION	Est.time
Week 1	1	Chapter 1	Intoduction to international finance	15 min
Week 1	2	Chapter 2	The foreign exchange market	15 min
Week 2	3	Chapter 3	What is money?	10 min
Week 2	4	Chapter 4	What is interest rate?	5 min
Week 2	5	Chapter 4	Interest rate definition, Future value	5 min
Week 2	6	Chapter 4	Present value	10 min
Week 2	7	Chapter 4	Different Bonds	15 min
Week 2	8	Chapter 4	YTM, rate of return, current yield, capital gain	10 min
Week 3	9	Chapter 5	Bond demand	15 min
Week 3	10	Chapter 5	Bond supply	15 min
Week 3	11	Chapter 5	Money supply and demand	15 min
Week 3	12	Chapter 6	Risk structure of interest rates	10 min
Week 3	13	Chapter 6	Term structure of interest rates	10 min
Week 3	14	Chapter 6	Theoretical framework	10 min
Week 4	15	Chapter 7	One period model	10 min
Week 4	16	Chapter 7	Gordon growth model	10 min
Week 4	17	Chapter 7	Rational expectations, efficent market hypothesis	10 min
Week 4			Revision class	
Week 5			MIDTERM EXAM	
Week 5	18	Chapter 9	Basic banking	15 min
Week 5	19	Chapter 9	Principles of bank management	10 min
Week 6	20	Chapter 8	Analysis of financial structures	15 min
Week 6	21	The Inside Job	The financial crisis	120 min
Week 7	22	Chapter 14	Intro to derivatives: Hedging vs speculation	5 min
Week 7	23	Chapter 14	Forwards and futures	20 min
Week 7	24	Chapter 14	Options	20 min
Week 7	25	Chapter 16	Federal reserve system	15 min
Week 8	26	Chapter 17	The Feds balance sheet & money base	15 min
Week 8	27	Chapter 17	Deposite creation	15 min
Week 8	28	Chapter 17	Factors determining money supply	10 min
Week 8	29	Chapter 17	Money multiplier	15 min
Week 8	30	Chapter 18	Conventional monetary tools	15 min
Week 8	31	Chapter 18	Non conventinal monetary tools	15 min
Week 9	32	Chapter 20	Exchange rate quotation	15 min
Week 9	33	Chapter 20	Purchasing power parity	15 min
Week 9	34	Chapter 20	Supply and demand foreign exchange market	15 min
Week 9	35	Chapter 21	Foreign exchange intervention	10 min
Week 9	36	Chapter 21	Balance of payment	10 min
Week 9	37	Chapter 21	Fixed vs floating exchange rate regime	15 min
Week 10			FINAL EXAM	

Deadlines

Midterm: Monday 5 Oct, 9 am – Wednesday 7 Oct, 9 am

Progress report presentation: Mon 12 Oct (midnight).

Final presentation submission: Wed 11 Nov (midnight).

Final exam: Sunday 22 Nov, 9 am – Tuesday 24, 9 am

Attendance

In a remote session taking attendance can be problematic. I will, however, regularly check your participation by how often you log onto D2L, view material etc. At the beginning of class I will also open a discussion forum where you are to present yourself.

Here is a general statement of DePaul's Academic Integrity Policy:

DePaul University is a learning community that fosters the pursuit of knowledge and the transmission of ideas within a context that emphasizes a sense of responsibility for oneself, for others and for society at large. Violations of academic integrity, in any of their forms, are, therefore, detrimental to the values of DePaul, to the students' own development as responsible members of society, and to the pursuit of knowledge and the transmission of ideas. Violations include but are not limited to the following categories: cheating; plagiarism (including self-plagiarism); fabrication; falsification or sabotage of research data; destruction or misuse of the university's academic resources; alteration or falsification of academic records; and academic misconduct. Conduct that is punishable under the Academic Integrity Policy could result in additional disciplinary actions by other university officials and possible civil or criminal prosecution. Please refer to your Student Handbook or visit Academic Integrity at DePaul University (<http://academicintegrity.depaul.edu>) for further details.