

ECO 315: Money and Banking
Spring 2020

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Recorded classes posted on D2L
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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.

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 literature

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

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, as well as download the Bloomberg Business app for free.

I may also post additional relevant material on D2L

Discussion and office hours

I do encourage students to post their questions on the discussion form on D2L for everyone to see as this may help other students as well. In addition I will be available two hours each week for chats Mondays and Wednesdays 9-10 am

Grading

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%
Individual 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 consist of two parts. Part I: Multiple choice questions based on the chapters covered since the mid-term exam. Part II: 8 shorter answer questions/problems, of which you should answer 5 of your choice. 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.

Individual project

Each student will produce a 10-15 page power point presentation on a topic of their choice, with the only requirement that it is related to money and banking and that you consult me on your choice of topic. I will also provide a list of topics to facilitate your choice. The grading of the presentation will be based on 1. Structure 2. Use of sources and 3. Independent analysis (do not just present a topic but make an effort to incorporate your own views/analysis).

Preliminary course schedule

DATE	SUBJECT	READING
Mon 30 Mar	Introduction	Chapter 1
Wed 1 Apr	What is money? Overview of the financial system	Chapters 2, 3
Mon 6 Apr	Understanding interest rates	Chapter 4
Wed 8 Apr	The behavior of interest rates	Chapter 5
Mon 13 Apr	The behavior of interest rates	Chapter 5
Wed 15 Apr	Risk and term structure of interest rates	Chapter 6
Mon 20 Apr	The stock market and rational expectations	Chapter 7
Wed 22 Apr	Banking, management of financial institutions	Chapter 9
Mon 27 Apr	Midterm exam	
Wed 29 Apr	Analysis of financial structure	Chapter 8
Mon 4 May	The financial crisis	Chapter 12
Wed 6 May	Financial derivatives	Chapter 14
Mon 11 May	The Federal Reserve System	Chapter 16
Wed 13 May	The money supply process	Chapter 17
Mon 18 May	Tools of monetary policy	Chapter 18
Wed 20 May	The foreign exchange market	Chapter 20
Mon 25 May	MEMORIAL DAY	
Wed 27 May	The international financial system	Chapter 21
Mon 1 Jun	Revision class	
Wed 10 Jun	FINAL EXAM 8.30 – 10.45	

Deadlines

Midterm: Mon 27 Apr

Individual paper submission: Tue 26 May

Final exam: Mon 10 Jun

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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.