

ECO 315: Money and Banking
Winter 2020

Instructor: Dr. Peter Westin
Time of class: Mon, Wed 10.10 am – 11.40 am
Classroom: Lewis Center, room 1214
Office hours: Mon, Wed 9-10 am
My office: Rooms: 6224 or 6225 (adjunct offices)
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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

Grading

The grading will be based on a mid-term exam and the final exam. In addition, there will be a group project and presentation, as well as an individual assignment. The students will also be required to hand in a small weekly assignment in the form of a couple of questions related to the previous week's classes.

Midterm exam	25%
Final exam	30%
Group project	25%
Weekly home assignments	20%

The grading of the group project will be based on the quality and timeliness of your work and how you apply the concepts learned in class. Other factors that will be taken into account when it comes to projects are structure and presentation skills, as well as the quality of the analysis.

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%

While I do not offer a partial grade for attending classes, I do expect you to attend. If, for any reason you are unable to attend a class, please send me an e-mail to let me know, including why.

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.

Group project

Each group should consist of 4-5 students. You are expected to follow current newspaper, magazine or journal stories on international finance throughout the semester. Each student is required to choose a topic related to money and banking for example:

- Conventional vs non-conventional monetary policies
- Lessons from the financial crisis
- Challenges facing the Federal Reserve
- How has the Dodd Frank Act changed the landscape for U.S. banks and/or the shadow banking system?
- Crypto currency vs national currency

Each group should then produce a powerpoint (or equivalent) presentation using the tools from the course, and present it to the class in a professional manner. Good sources of topics on money and banking are The Economist (www.economist.com), Financial Time (www.ft.com), Euromoney (www.euromoney.com), Wall Street Journal (wsj.com), Business Week (www.businessweek.com), Bloomberg (www.bloomberg.com) in addition to academic journals and books.

By week 3 each group will announce the topic and a tentative plan. By week 6 each group will give an update on their progress. I will provide comments to each groups.

Grading: The group project will be graded based on structure of presentation, use of sources, and original analysis. Each group member will receive the same grade unless evidence of non-participation is provided before the presentation.

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.

Preliminary course schedule

Date	Topic	Reading
Mon, Jan 6	Introduction	Chapter 1
Wed, Jan 8	What is money?; Overview of the financial system	Chapters 2 & 3
Mon, Jan 13	Understanding interest rates	Chapter 4
Wed, Jan 15	The behaviour of interest rates	Chapter 5
Mon, Jan 20	MARTIN LUTHER KING DAY; NO CLASS	
Wed, Jan 22	Risk and term structure of interest rates	Chapter 6
Mon, Jan 27	The stock market and rational expectations	Chapter 7
Wed, Jan 29	Banking, management of fin. institutions	Chapters 9
Mon, Feb 3	MIDTERM EXAM	
Wed, Feb 5	Analysis of fin. structure, regulations	Chapters 8 & 10
Mon, Feb 10	The banking sector and the financial crisis	Chapters 11 & 12
Wed, Feb 12	Group consultation	
Mon, Feb 17	Financial derivatives	Chapter 14
Wed, Feb 19	Nonbank finance	Chapter 13
Mon, Feb 24	The central bank and federal reserve system	Chapter 16
Wed, Feb 26	The money supply process	Chapter 17
Mon, Mar 2	Group presentation	
Wed, Mar 4	Monetary policy: tools and strategy	Chapters 18 & 19
Mon, Mar 9	Monetary policy: tools and strategy	Chapters 18 & 19
Wed, Mar 11	Money and inflation	Chapter 22
Wed, Mar 18	FINAL EXAM 8.30-10.45	

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