



ECON 3220: Money and Banking

2022 Winter Session	
Total Class Sessions: 25	Instructor: Staff
Class Sessions Per Week: 6	Classroom: TBA
Total Weeks: 4	Office Hours: TBA
Class Session Length (Minutes): 145	Language: English
Credit Hours: 4	

Course Description:

This course is about the economics on money and banking. Focus will be laid on the theoretical and empirical aspects of monetary policy in economic development and in the entire macroeconomics stabilization. Students will firstly learn the role of financial markets, with emphasis on interest rate and bond market, then to explore financial institutions and the currently arising issues that they are facing. Students will be familiarized with the influences that the monetary policy cast on the financial markets, with the three players and their roles in the money supply process and how the monetary policy is conducted. Upon completion, students are expect to utilize the empirical approaches to analyze and solve real world problems.

Learning Objectives:

After taking this course, the students will be able to:

- 1) acquire a overall view of the role that money play and how it is related to interest rates;
- 2) demonstrate an understanding on the importance and functions of financial markets and financial institutions in the economic growth and macroeconomic stabilization
- 3) understand the money supply process and know the different tools of monetary policy;
- 4) grab a overview of how financial issues are dealing with around the globe;
- 5) present the result of their critical thinking in finishing the after-class assignments.

Course Materials:

Textbook:

The Economics of Money, Banking and Financial Markets,

Frederic S. Mishkin, 11th edition

Other materials:

Students will be provided with handouts, reading materials, PowerPoint slides in class if necessary.

Course Format and Requirements:



The course is mainly in the form of lecturing, the materials of which will be designed by the instructor before each class. The contents of the lectures are based on the textbooks, and supplemented reading materials and case studies will be given by the instructor.

In order to get a thorough understanding of the knowledge presented, students are supposed to finish all the assigned readings before class and finish the assignment of Preparedness for Class for in-class discussions.

Attendance:

Students are supposed to be present at all class sessions. Notifications about absence reasons to the instructor should be done in advance if students are not able to attend classes. Students will be allowed a one-time pass for an emergency absence. Other than that, one time of absence would result in More than three absences will result in the failure of the course. Active participation in all classroom activities is also very important for students to achieve success in this course.

Course Assignments:

Quizzes: 15%

For every week, students will be assigned a quiz, so overall, there will be five quizzes throughout the course. Before each quiz, student will have access to the time and content of it, and will be left time for them to review by themselves after class. The scores of the five quizzes consist of 20% of the overall grade of this course. There will be no made-up quizzes, so students should be present each time.

Homework: 15%

For every week, students will be assigned with 1 piece of homework to finish after class, the forms of which include reading responses connected to the readings assigned for the next class, question sets, short case analyses and so on. For this assignment, students should work individually and present their ability of critical thinking while completing their work. No late submissions will be accepted for this assignment, and there will be 10 point taken off (100 points in total) for each late work.

Exams: 70%

There will be 2 midterm exam and 1 final exam for this course.

The midterm and final exams are both closed-book in-class exams. The forms of the questions include multiple choices, right-or-wrong questions, definitions, and formal analyses. Exams will cover most of the materials used in class, including textbooks, handouts and reading materials. Classes before the midterm exams and the final exam will be left for review and Q&A. There will be no makeup exams.

Course Assessment:

Quizzes	15%
Homework	15%
Midterm Exam 1	20%
Midterm Exam 2	20%



Final Exam	30%
Total	100%

Grading Scale (percentage):

A+	A	A-	B+	B	B-	C+	C		C-	D+	D	D-	F
98-100	93-97	90-92	88-89	83-87	80-82	78-79	73-77		70-72	68-69	63-67	60-62	<60

Academic Integrity:

Students are encouraged to study together, and to discuss lecture topics with one another, but all other work should be completed independently.

Students are expected to adhere to the standards of academic honesty and integrity that are described in the Chengdu University of Technology's Academic Conduct Code. Any work suspected of violating the standards of the Academic Conduct Code will be reported to the Dean's Office. Penalties for violating the Academic Conduct Code may include dismissal from the program. All students have an individual responsibility to know and understand the provisions of the Academic Conduct Code.

Special Needs or Assistance:

Please contact the Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material. Our goal is to help you learn, not to penalize you for issues which mask your learning.

Course Schedule:

Class	Topics	Assignments
1-5	<ul style="list-style-type: none"> ➤ Introduction to the course (Reading: <i>F. Mishkin (2016)</i>, Ch. 1-3) ➤ Understanding Interest Rates (Reading: <i>F. Mishkin (2016)</i>, Ch. 4-5) The meaning of interest rates The distinction between interest rates and returns The distinction between real and nominal interest rates The behavior of interest rates Determinants of asset demand Supply and demand in the bond market Changes in equilibrium interest rate ➤ The Risk and Term Structure of Interest Rates 	Homework 1 Quiz 1



	<p>(Reading: <i>F. Mishkin (2016)</i>, Ch. 6)</p> <p>Risk structure of interest rates Term structure of interest rates</p> <p>➤ Stock Market, Rational Expectations, and Efficient Market (Reading: <i>F. Mishkin (2016)</i>, Ch. 7)</p> <p>Computing the price of common stock The theory of rational expectations The efficient market hypothesis Behavioral finance</p>	
6-10	<p>➤ Economic Analysis of Financial Structure, Banking, and Management of Financial Institution (Reading: <i>F. Mishkin (2016)</i>, Ch. 8-9)</p> <p>Transaction costs Relationships between adverse selection, moral hazard, and financial structure Banking and the management of financial institution The bank balance sheet General principles of bank management Managing credit risk / interest-rate risk Off-balance-sheet activities</p> <p>➤ Financial Regulation and Structure of Banking Industry (Reading: <i>F. Mishkin (2016)</i>, Ch. 10-11)</p> <p>Asymmetric information as a rationale for financial regulation Types of financial regulation Banking Industry: Structure and competition Structure of the U.S. commercial banking industry Bank consolidation and nationwide banking Thrift Industry: regulation and structure</p> <p>➤ Financial Crises (Reading: <i>F. Mishkin (2016)</i>, Ch. 12-13)</p> <p>Government intervention Stabilizing the global financial system Financial crises in emerging economies Dynamics of financial crises in emerging market economies</p>	Homework 2 Quiz 2 Midterm 1



	Preventing emerging market financial crises	
11-15	<ul style="list-style-type: none">➤ Central Banking and the Conduct of Money Policy (Reading: <i>F. Mishkin (2016)</i>, Ch. 14-15) Structure of the Federal Reserve System Should the Fed be independent? Independence of other foreign central banks The money supply process Control of the monetary base Multiple deposit creation➤ Tools of Monetary Policy (Reading: <i>F. Mishkin (2016)</i>, Ch. 16) The market for reserves and the federal funds rate Conventional monetary policy tools Non-conventional monetary policy tools and quantitative easing➤ The Foreign Exchange Market (Reading: <i>F. Mishkin (2016)</i>, Ch. 18) Foreign exchange market Exchange rates in the long run / short run Explaining changes in exchange rates	Homework 3 Quiz 3
16-20	<ul style="list-style-type: none">➤ The International Financial System (Reading: <i>F. Mishkin (2016)</i>, Ch. 19) Intervention in the foreign exchange market Balance of payments Exchange rate regime in the international financial system International considerations and monetary policy➤ Quality Theory, Inflation, and Money Demand (Reading: <i>F. Mishkin (2016)</i>, Ch. 20) Quantity theory of money Keynesian theories of money demand Portfolio theories of money demand	Homework 4 Quiz 4 Midterm 2



	Empirical evidence for the demand of money	
21-25	<ul style="list-style-type: none">➤ Macroeconomic Effects of Monetary Policy (Reading: F. Mishkin (2016), Ch. 21-22) The components of aggregate demand Goods market equilibrium Understanding the <i>IS</i> curve The monetary policy curve The aggregate demand curve➤ Aggregate Demand and Supply Analysis (Reading: <i>F. Mishkin (2016)</i>, Ch. 23) Aggregate demand Aggregate supply Shifts in the aggregate supply curves Equilibrium in aggregate demand and supply analysis➤ Monetary Policy Theory (Reading: <i>F. Mishkin (2016)</i>, Ch. 24) Response of monetary policy to shocks Inflation and causes of inflationary monetary policy Monetary policy at the zero lower bound➤ Review for final exam	Homework 5 Quiz 5 Final Exam