

Rutgers University, New Brunswick  
Department of Economics

Economics 220:301:10  
Money and Banking  
Fall 2016

**Class Location:** Frelinghuysen Hall, A5 (CAC)

**Class Hours:** Monday, Wednesday, 1:10 - 2:30 pm

**Final Exam:** Wednesday, December 21, 8:00 - 10:00 am

(do not register to the class if you have a conflict with the class hours or the final exam)

**Instructor:** Vladimir Kolchin

**Email:** [vkolchin@econ.rutgers.edu](mailto:vkolchin@econ.rutgers.edu)

**Office:** NJ Hall 406 (or 306), CAC

**Office Hours:** Monday, 10:00am – 12:00 pm, or by appointment

**Class prerequisites:** Econ102 (Intro to Micro) and Econ 103 (Intro to Macro). Grade of C or better in the pre-requisites is required. Money and Banking is a lower level elective course.

### Learning Outcomes

Students who satisfactorily complete Money and Banking will understand the role of money and banks in the broader economy. Specifically, students should garner an understanding of the unique role of banks in the financial system. Students will also learn the relevance of the Federal Reserve and related central banking topics, including the causes, policy responses, and lessons associated with financial market crises.

### Course Materials

**Mishkin**, The Economics of Money, Banking and Financial Markets, 11<sup>th</sup> edition (Pearson), ISBN-13: 978-0133836790. If some students opt to using the older editions, it is students' responsibility to overcome any problems related with the changes introduced in the latest edition. The lectures will be primarily based on the chapters of the textbook. However, some lectures will be supplemented with other materials. These materials include (I will let you know separately if there are changes in this list):

(a) Chapter 5 and 18 of L. Ball (2011) Money, Banking and Financial Markets. 2nd edition

(b) Robert Shiller (2011). Financial Markets. Open Yale Courses. Lecture 4

(<http://oyc.yale.edu/economics/econ-252-11/lecture-4>)

(c) The Federal Reserve and the Financial Crisis. Chairman Bernanke's College Lecture Series.

(<http://www.federalreserve.gov/newsevents/lectures/about.htm>)

(d) Ashcraft and Schuermann (2008), Understanding the Securitization of Subprime Mortgage Credit. FRB of New York, Staff Report 318. ([http://www.newyorkfed.org/research/staff\\_reports/sr318.pdf](http://www.newyorkfed.org/research/staff_reports/sr318.pdf))

In order to succeed in this class it is expected that you (1) attend the class, (2) follow the discussion, (3) take notes, (4) ask relevant questions when something is not clear (either in class or during the office hours). All the lectures in this course will include some material that is not covered in the textbook. The exams and quizzes will be based on what we cover in the classroom. In addition, we will be selective in terms of covering the material of the book for some topics. In other words, you do not have to study the whole chapter of the book for a number of the topics in order to perform well on the exam or quiz (but you are encouraged to read extra material if you develop interest in the subject). All in all, you will be better off attending the lectures and following the above recommendations.

### Course Outline

Lecture:	Materials:
I. Introduction to the Financial System	Mishkin, chapter 1, 2
II. Money	Mishkin, chapter 3
III. Understanding Interest Rates and their Behavior	Mishkin, chapter 4, 5
IV. The Risk and Term Structure of Interest Rates	Mishkin, chapter 6
V. The Stock Market and the Efficient Market Hypothesis	Mishkin, chapter 7
VI. Portfolio Theory and Derivatives	Ball, chapter 5, Shiller, lecture 4
VII. An Economic Analysis of Financial Structure	Mishkin, chapter 8
VIII. Banking and the Management of Financial Institutions	Mishkin, chapter 9
IX. 2007-2008 Financial Crisis	Ashcraft and Schuermann (2008), Ball, chapter 18, Bernanke's College Lecture Series
X. Central Banks and the Federal Reserve System	Mishkin, chapter 13
XI. The Money Supply Process	Mishkin, chapter 14, Bernanke's College Lecture Series
XII. Conventional and Unconventional Monetary Policy	Mishkin, chapter 14, 15, Bernanke's College Lecture Series
XIII. Last Topics on Monetary Policy	<b>Much of material is not from the book;</b> Mishkin, chapter 16, 19, 22, 23, 25

### Academic Integrity and Grading Policy

- Students are expected to maintain Academic Integrity. Therefore, cheating in an exam/quiz will be reported and considered as a serious violation. You may take a look at academic integrity policy at: <http://academicintegrity.rutgers.edu/resources-for-students/>
- Students with disabilities must present a letter from the RU Office of Disability Services before the first quiz (disability policies and procedures are at: <http://disabilityservices.rutgers.edu/>)
- Students are expected to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website (<https://sims.rutgers.edu/ssra/>) to indicate the date and reason for your absence. An email is automatically sent to me.
- During the term, there will be two quizzes, one midterm and one final exam. Out of two quizzes, the quiz with the highest grade will be used for the calculation of your final course grade. The final exam will not be cumulative.
- Only if a student misses an exam due to a cogent reason, s/he will be allowed to take a make-up exam at the end of the course. The make-up exam will be cumulative. The questions and format of the make-up exam may differ from the scheduled exam.
- There is no extra-credit work in this class.

### Important dates:

Tuesday, September 13, Last day to drop classes without "W" grade

Wednesday, September 14, the last day to add a class

**Monday, Oct 10, Quiz 1**

**Monday, Oct 31, Midterm**

Monday, Oct 31, Last day to drop classes with "W" grade and no refund

**Wednesday, Nov 30, Quiz 2**

Wednesday, Dec 14, Last day of classes

**Wednesday, Dec 21, 8:00-10:00 am, Final Exam**

- Course grades will be based a quiz (20%); a midterm exam (40%); and a final exam (40%).
- Grading:            100% > A ≥ 90%;            90% > B+ ≥ 86%;            86% > B ≥ 80%;  
                             80% > C+ ≥ 76%;            76% > C ≥ 70%;            70% > D ≥ 60%;            60% > F

## Other Useful Information:

### Student-Wellness Services:

*Just In Case Web App*, for a mental health crisis for you are a friend:

<http://codu.co/cee05e>

*Counseling, ADAP & Psychiatric Services (CAPS)*, for non-emergency psychological health issues:

(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 [www.rhscaps.rutgers.edu/](http://www.rhscaps.rutgers.edu/)

*Violence Prevention & Victim Assistance (VPVA)*

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 [www.vpva.rutgers.edu/](http://www.vpva.rutgers.edu/)

*Disability Services*

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 / <https://ods.rutgers.edu/>

*Scarlet Listeners*, for confidential peer counseling and referral hotline:

<http://www.scarletlisteners.com/> or call (732) 247-5555