

Money, Banking and the Financial System 220:301:07

1/8/2018 – subject to revision

IMPORTANT

- We will be using a textbook by Cecchetti available at a 6 month online ebook subscription with learning technology (MH Connect) and optional loose-leaf print version at greatly reduced prices (see below)
- We will be using physical clickers by **iClicker** (that's the brand) – they are required
- Class attendance is **REQUIRED** and unexcused absences from class may be grounds for failing the course and will lower ones grade
- You cannot use phones or laptops/tablets in class
- This should be one of the most useful courses you will take.



What is **Money**? How does money affect the economy (**Monetary Theory**)? Affect you (**Personal Finance**)? Is bitcoin money? Is it a bubble? What's a cryptocurrency? A block chain? How do we pay for things (**Payments System**)? How is money created and controlled (**monetary policy**)? Is money obsolete? Where are all the \$1000 bills? Was **Janet Yellen** the most powerful woman in the world? Why should you care? How is **Monetary Policy** carried out and why? How has it changed during and after the 2007-9 **Financial Crisis and Great Recession**? How will it change this year? Are **Banks** dying out? Should they? What do they do? How would you run a bank? How does the **financial system** work, and why did it almost melt down in 2007-08? What are some ways to **get rich** (or at least not

poor) in the **Stock or Bond (or Options or Futures (derivatives))** markets? What's a stock? Bond? Mutual fund? What will a **weak dollar** do to your career, to the U.S. economy? And what is a weak dollar? What's the ECB (**international financial system**)? And what's with Dodd-Frank (**financial regulation**)?

This course provides an overview of the nature and role of **MONEY AND MONETARY POLICY** in modern economies; the role, operation, and regulation of **BANKS** and other depository institutions; an introduction to **FINANCIAL MARKETS**, institutions, and instruments; a taste of **INTERNATIONAL MONETARY AND FINANCIAL ISSUES**; along with simultaneous coverage of **INVESTMENT AND SOME PERSONAL FINANCE**. The ultimate **OBJECTIVE** of the course is to provide students with a **life-long** understanding of the basics of money, banking, the financial system, and investments. Above all, this is intended to be an **interesting, important, useful, and demanding** course dealing with issues you will certainly face in your **private, public, and professional lives** and which will provide you with **useful and usable skills and insights** (and some **cookies**).

Instructional Goals: Consistent with the *Learning Goals of the Economics Department*, students will develop and demonstrate economic literacy, numeracy, citizenship and scholarship in the area of the economics of money, banking, and the financial system. Specifically, successful students will demonstrate through examinations, projects and homework assignments that they have gained:

- an understanding of monetary theory and policy, and the functions, instruments and markets of the banking and financial system as well as financial investment.
- the ability to graphically and statistically examine monetary and financial variables, relationships and models
- the tools necessary to understand and analyze current issues and policies involving money, the financial system and the monetary aspects of the economy
- an understanding of the basics of personal investing

To take this course you **MUST**:

- Have high-speed access to the Internet often. (dorm, library, home, Starbucks)
- Have a sense of humor (laugh at my jokes)
- Make regular use of Sakai (Rutgers' online course management system)

- Buy or obtain access to the **required textbook** (below). Note that purchase of access to MH Connect is NOT required, it will only be used for extra credit (and extra learning).
- Buy or obtain an **iClicker** brand clicker (**any model, new or used**) and bring it to class regularly (the same clicker can be used by **ONE** student in multiple classes but **NOT** by multiple students) – starting with the first class.
- **Regularly attend class**, - **UNEXCUSED ABSENCES MAY BE GROUNDS FOR FAILING THE COURSE and will lower your grade**
- **Participate** in class and online chat rooms
- **Complete** graded weekly, on-line **assignments** which, along with reading, will take 4-6 hours per week.
- **LOOK UP REQUIRED MATERIAL NOT CONTAINED IN THE READINGS.**
- Use Quizlet (or other) **flash cards**

You must *NOT*

- use a computer in class. If there is a special reason for needing to use one, please see me.
- use cell phones in class – not for calls, text messaging, or photographs/video.
- come late or leave class early.
- **talk** in class – it imposes external costs on others.
- **Record audio or video** in class without explicit written permission

If any of these are difficult for you, it will be necessary to take the course with a different instructor.

MEETING TIMES, WEB ACCESS, OFFICE HOURS

The class meets TTh 1:10-2:30pm in Scott 123 CAC, and online 24/7.

My Economics Department web page is: <http://econweb.rutgers.edu/sheflin/> - it has a lot of links, some of which you will hopefully find useful. However, virtually all of the course material will **ONLY** be available through Sakai <http://sakai.rutgers.edu> . You are responsible for checking announcements, grades, and the chat rooms in Sakai frequently.

My **office hours** will be Tuesdays 10am-noon in New Jersey Hall 403 CAC and other times by appointment. There will be a signup tool in Sakai to reserve a time, or you can drop in but you then might have to wait. Note that office hours are to discuss personal issues, the meaning of life, and jazz. Class questions should be asked in class or posted on the chat rooms first.

EMAIL (NO) Any and all course related questions should be posted on the appropriate CHAT ROOM in sakai. Email is **ONLY** for very personal issues (health, family problems, etc) and I will generally not respond to email that can and should be posted on the chat room.

HOW THE COURSE WILL WORK

- **Before** each week's classes, you will read/print the **ASSIGNMENT** for the **next** week posted under **RESOURCES** in Sakai, and generally available by the Wednesday of the week before it is due (i.e. assignment 2 will be posted by Wednesday of week 1)
- You will do the required textbook and online and other readings, problems, and online graded multiple choice homework and other assigned items contained in the assignment posted in Sakai **BEFORE** the Monday class . it is **UP TO YOU TO FIND ANSWERS TO QUESTIONS** and problems, even if they are not in the readings (hint: **GOOGLE**). It is also **ESSENTIAL** to **POST QUESTIONS** on the chat rooms and/or ask in class.
- It is also **ESSENTIAL** to post questions on the chat rooms and/or ask in class.
- For extra credit, and **EXTRA LEARNING**, you will be using the on-line supplement **MH Connect** that comes with the online version of the textbook.
- You will make and use **FLASHCARDS** to help you learn key definitions, concepts, analyses
- You will interact with me and with each other through online **chat rooms** for homework and other questions you have trouble with, as well as for “when, how, what” questions and other course related issues (email is **ONLY** for very personal issues)
- In class, we'll deal with current events, applications, homework review for tough questions, all in question format with clickers – there will be little or no lecturing.
- We will be playing a **stock investing game**, and using various simulators and data bases in the course,
- There will be 4 short **quizzes** during the semester, and no midterm or other exams (except the final). The majority of your grade will depend on a **COMPREHENSIVE, CUMULATIVE MULTIPLE CHOICE FINAL EXAM** at the end of the course covering all the material, encouraging to learn the material for the **long-run**. (ignore Keynes here)
- You will be reading print and/or online **NEWS SOURCES** and you are responsible for knowing what is going on in the world (economic and other).

GRADING

Grades in the course will be based on **weighted total points** from

- **graded, online, multiple choice homework** due before each class (**10%**), lowest several dropped
- four **in-class quizzes** (**15%**), lowest one dropped
- **class participation and testing with clickers** every class (**15%**) with the lowest X days dropped (X will be revealed late in the course, 0 is a good number)
- A **COMPREHENSIVE MULTIPLE CHOICE FINAL EXAM** reflecting what you know at the end of the course (**60%**) – you will hate the heavy weight on the final – but it is intended to encourage you to study and learn the material for the long-run, not cram, and to give students who ‘get-it’ late in the course a chance (and an incentive) to do well.
- There will also be **EXTRA CREDIT PROJECTS** worth up to 2%. And lesser extra credit for documented attendance at the Learning Resource Center(s).
- And use of the MH Connect on-line learning tools will be worth up to 2% in extra credit.

ATTENDANCE is **required** and reflected in clicker points from each class. Except for documented absence due to participation in official University events or **significant** illness or personal problems, there will be **no excused absences**. However, **I will drop the lowest several clicker day(s)**, the lowest several homework assignments, and the lowest clicker quiz. Please do not see me for single missed classes as up to X are automatically not counted (where X is a low number).

If you miss **MORE** than two classes because of illness or a family emergency – **SEE ME (do not email)**, before or after class and please bring documentation about the cause.

Note that **I DO NOT look at or use** the University absence reporting website <https://sims.rutgers.edu/ssra/>

SUBSTANTIAL UNEXCUSED ABSENCES MAY BE GROUNDS FOR FAILING THE COURSE AND WILL LOWER A COURSE GRADE BY A LETTER GRADE (B TO C for example, or D to F).

REQUIRED TEXTBOOK is by Cecchetti and Schoenholtz - **Money, Banking & Financial Markets** 5th edition. I’m not sure how different earlier editions are but the monetary and financial world have changed dramatically recently so I would stick with the fifth edition. It is available in several different ways, all at greatly reduced (from the traditional hardcover, bookstore purchased textbook) prices:

1. **Directly from publisher online** - 6 month ebook subscription with MH Connect (extra credit learning tools) direct from McGraw Hill with 10 day trial period after which it is \$105 with a **credit card**- go through this link:

<http://connect.mheducation.com/class/n-sheflin-cecchetti-money-banking-and-financial-markets-5e---prebuilt-instructor-course> (or copy and paste into your browser address bar)

2. Optional loose leaf print version – available through the above website for an **additional** \$60 takes 1-2 weeks for printing and shipping (not sure if there is a shipping charge)
3. Access card purchase through the **bookstore** for \$100 – same as 1 but without the 10 day trial. Can order the loose leaf version for \$60 more with this as well
4. Loose leaf version from **bookstore** for \$134 including online access to Connect learning tools (only 40 copies available from the bookstore)

It might make the most sense to go with 1 since it requires no payment for 10 days from the date you start. NOTE you may want to wait until our first class to start to give you time to see if the course will work for you before you pay.

VERY IMPORTANT if you subscribe through the link above, (or through an access code from the bookstore) please enter your email in the form of:

netid@scarletmail.rutgers.edu ex: sjd123@scarletmail.rutgers.edu

this will allow us to import your grades from connect into sakai for extra credit.

NOTE we will use the textbook extensively – **you must have access to a version of the textbook** but you need not buy it or the online access or Connect learning technology. Connect will be for extra credit only. However it should be quite useful.



There will be **weekly supplementary reading** assigned (see each weeks assignment posted in RESOURCES) and students are expected to keep on top of economics and macroeconomic news through regular reading of online news sources (google news, Bloomberg, etc) and/or **New York Times, Wall Street Journal** and/or online sources (note the Journal has student subscriptions at about \$1 per week: wsj.com/studentoffer (Note, totally optional, I've paid for my own subscription; watch out for automatic renewal)



FLASHCARDS essential for most students to truly learn the material. Write terms, theories, concepts, fact name on front, and define, explain, etc on back. Carry them everywhere and TEST yourself often. I'll put some links up for pre-made flashcards for the course.



iCLICKER We will be using **iClicker brand** clickers which sell for about \$45 new, with many available used for less. You **MUST** have your own clicker – you can share one with a friend **IN A DIFFERENT CLASS** but I would not advise this. You can buy a used one. You must bring your clicker to every class and must not bring someone else's – there will be frequent checks for clickers that are in class when their owners' are not.

There are 3 models of iclicker – the original one, an iclicker+ replacement for it and the iClicker2, more expensive, small screen, alphameric entry, - **any will work for this course.**

DO NOT ORDER YOUR CLICKERS FROM A DISTANT SOURCE – YOU WILL NEED THEM FROM THE VERY FIRST CLASS And watch out for a seller charging you and then ordering them for future delivery.

Also, if possible, get the iClicker that comes with a free 6 month subscription to their phone/web version, even though we will not be using this, you may in another course **YOUR PHONE WILL NOT WORK.**

FLASHCARDS are very helpful for most students to truly learn the material. We will likely use Quizlet, a free, online (and mobile) flashcard system.

ACADEMIC INTEGRITY

Do not cheat, the penalties are severe, it is wrong, and in the long-run, you will not benefit. Do not:

- have someone click your clicker when you are not in class,
- talk about clicked questions unless you are told to do so,
- copy someone else's homework or have someone help with yours,
- use the text or other sources when doing the homework or midterm, etc.

Using someone else's words or thoughts without citing them is also cheating.

AUDIO-VISUAL RECORDING (sound, still photos, video) OF CLASS is **NOT** permitted without explicit written authorization of the instructor and notification of other students in the class, except where notification from the Office of Disability Services is provided.

LEARNING CENTERS provide tutoring. There will be (small) extra credit given for every time you go. <https://rlc.rutgers.edu/> More information in class.

SCHEDULE

Additional assigned readings are shown on each week's **ASSIGNMENT** which will be posted in Sakai under resources – these are **REQUIRED** and essential to do well in the course. **YOU MUST LOOK AT EACH WEEK'S ASSIGNMENT IN SAKAI TO SEE ADDITIONAL READINGS, AND CHANGES.** In addition, following the reading and other activities shown in the Assignment in Sakai each week, there will be **HOMEWORK** in the form of online multiple choice questions, due **BY OR BEFORE** the class in which they are shown. They will be available in Sakai by Wednesday of the week **before** they are due, Note we are covering the material in a different order than the textbook.

Class/ Week of	Topic and notes. IMPORTANT – reading assignments are contained in each weeks ASSIGNMENT posted in Sakai under RESOURCES / ASSIGNMENTS	Textbook Chapter(s)
1 1/15	Money, Banking and the Financial System	1
	MONEY AND THE PAYMENTS SYSTEM	
2 1/22	Money and the Payments System <i>last day to drop 1/26 last day to add 1/27</i>	2
	MONETARY THEORY	
3 1/29	SR and LR Macro and Money <i>invest 0 – overview</i>	Appendix A, chapter 1, 21 (and appendix), 22
4 2/5	The Transmission of Monetary Policy <i>invest 1-stock Quiz 1</i>	20, 23 (just monetary policy transmission mechanism)
	THE FED AND MONETARY POLICY	
5 2/12	The Structure and Role of the Fed and other Central Banks <i>advise 1- college etc Resume</i>	15, 16
6 2/19	Money Creation and Control <i>invest 2A- more stock</i>	17, 8
7 2/26	Old and New Tools, Goals and Strategies of Monetary Policy <i>chair game</i> Quiz 2	18, 23 (Challenges)
	BANKS AND OTHER INTERMEDIARIES	
8 3/5	Banking and Bank Management <i>invest 2B – yet more stock</i>	11,12
3/12	SPRING BREAK	
	THE FINANCIAL SYSTEM	
9 3/19	The Financial System <i>Last day to drop with a W is 3/21 advise 3 - careers Invest 3-mutual funds</i>	3, 13
10 3/26	Financial Regulation Quiz 3	14
11 4/2	Risk, Interest Rates, and Bonds <i>invest 4-bonds</i> <i>advise 4 – grad school</i>	4, 5, 6
12 4/9	Determinants of Interest Rates and Rates of Return <i>invest 5 – derivatives</i>	7, 9
13 4/16	International Finance and Monetary Policy Quiz 4	19 and Appendix

14 4/23	The Financial Crisis and Money and Banking LAST CLASS 4/26	12,23 (web chapter 4)
	FINAL EXAM Friday May 4 8am (when the sun is up) - do not make travel plans for this date	