Course overview

To say that monetary policy and the financial system play a significant role in shaping the modern economy would be a major understatement. The mechanics of financial markets, the dynamics of interest rates and the interaction between these and the real economy, are at the core of most decisions taken by households, firms and governments. Moreover, after the substantial economic shakedown of 2007-2009, these have become interesting times to study the interaction between the monetary authority (the FED), financial institutions and the people at large. In this course we will cover some of the theoretical and practical issues related to monetary policy and financial intermediation.

Learning outcomes

Students who satisfactorily complete Money & 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 the current financial market crisis.

Grading and attendance

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<td>July 3rd</td>
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• There will be NO makeup exams except under extraordinary circumstances with extraordinary having a very narrow definition. I give you the exam dates on day one so plan accordingly! If you miss one you will get a zero (except for the abovementioned extreme cases).

• Academic integrity is very important. Cheating in the exam is considered as a serious violation and will be referred to the school authority. A description of the current academic integrity policy can be found here:  
  http://academicintegrity.rutgers.edu/integrity.shtml

  Violations include: cheating, fabrication, plagiarism, denying others access to information or material, and facilitating violations of academic integrity.

• During class I will give homework problems for you to practice what we cover in class. These problems will not be graded but must be submitted as they will help us identify strengths and weak points before the examinations.

• 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 http://sims.rutgers.edu/ssra to indicate the date and reason for your absence.

4 Textbook, readings, podcasts

• The required textbook for this course is: "The Economics of Money, Banking and Financial Markets" by Frederic S. Mishkin, 10th edition (Pearson). I follow the book closely so be sure you have a copy of the appropriate edition.

• I will also ask you to read excerpts from articles and research papers and to listen to some audio files (podcasts). These audio files will come from www.econtalk.org so you should become familiar with the website.

5 Announcements, important dates and etc.

• There is a sakai site for the course; this will be the most important means of communication between us. All lecture slides, extra readings and important announcements will be posted there. Thus, make sure you have access to the course sakai site asap and check this site regularly.

• There are NO special permission numbers for closed courses, no “late adds” and no prerequisite overrides — unless approved by the UG director.

• Only students on the roster for a course may be allowed to attend class, submit written assignments, and take exams.

• University religious holiday policy is at http://scheduling.rutgers.edu/religious.shtml
• Final exams dates and times: http://finalexams.rutgers.edu/ check early for any schedule conflicts.

• The entire academic calendar can be found at: http://scheduling.rutgers.edu/calendar.shtml

• Full disability policies and procedures are at http://disabilityservices.rutgers.edu/

• Students with disabilities requesting accommodations must follow the procedures outlined at: http://disabilityservices.rutgers.edu/request.html

• Last day to drop with W grade and 50% refund: June 3rd

• Last day to drop with W grade and no refund: June 28th

6 Tentative program

1. An Overview of the Financial System (May 29th)

2. A brief Macro review: AD and AS (June 3rd)

3. What Is money? (June 5th)

4. Asset demand theory, the behavior of interest rates and the liquidity preference (June 5th)

5. Risk premium, term structure of interest rates (June 10th)

6. The stock market, the theory of rational expectations and the efficient market hypothesis (June 12th)

7. Managing financial institutions: an introduction (June 17th)

8. An economic analysis of the financial structure and regulation (June 17th)

9. Bank runs, financial crises and the 2008 financial meltdown (June 19th & 24th)

10. Central banking and the FED: history, structure and objectives (June 24th)

11. The money supply process (June 26th)

12. Central bank interventions: the market for loanable funds and the foreign exchange market (June 26th & July 1st)

13. The conduct of monetary policy: tools and targets (July 1st)