

Homer (searching under the couch): Aww, twenty dollars. I wanted a peanut!
Homer's Brain: *Twenty dollars can buy many peanuts.*
Homer: Explain how.
Homer's Brain: *Money can be exchanged for goods and services.*
Homer: Woo-hoo! (The Simpsons, Season 5, Episode 8)



Economics 310 –03: **Money, Banking, and Monetary Theory**

Spring 2017

TR 10:30 am - 11:45 pm in Robinson Hall B111

Prerequisites: ECON 103 and 104, or permission of instructor.

Prof. Lawrence H. White

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Office Hours: Tu 12-1, Th 3:45-4:45, provided you notify me in advance that you are coming. Other times by special arrangement.

Mason Hall D-116

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Required text: Lloyd Thomas, *Money, Banking, and Financial Markets* (Thomson South-Western, 2006). Abbreviated “Thomas” below. Cheap used copies are available from online retailers.

Other course materials, including lecture slides, problem sets, and sample exams, will be available online at <https://mymasonportal.gmu.edu>.

Overview: This course examines the theory, history, and policy of money and banking institutions. We will be covering a lot of ground. Lectures will coordinate with chapters of the text (as indicated below), but will also modify and supplement what is found there. Understanding the text is important, but it isn't enough—more important for mastering the course material is taking good lecture notes and studying them.

Requirements:

- three midterm exam (anticipated dates below)
- four problem sets (due at the beginning of the class meeting preceding each midterm exam, and at the beginning of the last class meeting)
- cumulative final exam, Tues. May 16, 10:30 – 1:15 pm as scheduled by GMU. *If you can't make this date, switch to another section now.*

The respective grading weights on these components will be 48% (16% times 3), 20% (5% times 4), and 32% (total 100%), unless extra weight is added to your final as explained below in policies (2) and (3).

Sequence of Topics, Meetings, Text Readings, and Quizzes (preliminary)

Topic numbers correspond to 17 content folder numbers on Blackboard; some topics will take up more than one of the 26 scheduled class meetings. The schedule is only approximate. We may at times run ahead; at other times behind.

1. The nature and evolution of money (*meetings 1-2; Thomas chs. 1- 2*)
2. Financial markets (*meeting 3; Thomas ch. 3*)
3. Intermediaries (*meeting 4; Thomas ch. 4*)
4. Interest rates and bond prices (*meeting 5; Thomas ch. 5*)
5. Interest-rate risk and the term structure (*meeting 6; Thomas ch. 6*)

First exam (meeting 7, Tues. Feb. 14)

6. Managing a bank: risk-return tradeoffs (*meeting 8; Thomas ch. 9*)
7. The history and future of banking (*meeting 9-10; Thomas ch. 10*)
8. Bank runs and deposit insurance (*meetings 11-12; Thomas ch. 11*)
9. Other issues in banking regulation: lending discrimination, the 2007-9 crisis, offshore banking (*meeting 13*)

Second exam (meeting 14, Thurs. Mar. 9)

10. Central banking, the Fed, and the ECB (*meeting 15; Thomas chs. 12-13*)
11. The money supply process and the Great Depression (*meetings 16-17; Thomas ch. 14-16*)
12. Money demand and the “velocity” of money (*meeting 18; Thomas ch. 22*)
13. Monetary policy and interest rates (*meetings 19-20; Thomas chs. 18-19*)

Third exam (meeting 21, Tues. Apr. 11)

14. Money, the price level, and real output (*meetings 22-23; Thomas chs. 20-22*)
15. Monetary expansion and inflation (*meeting 24; Thomas ch. 23*)
16. Money and exchange rates (*meetings 25-26; Thomas ch. 8*)
17. The options for monetary policy (*meeting 27-8; Thomas, chs. 24-25*)

Final exam (Tuesday May 10, 10:30 am – 1:15 pm)

The following policies are stated as a matter of record: (1) Collaboration on problem sets is permitted. You may hand in or email a problem set early. Because we will go over the answers at the start of class, *late problem sets will receive a score of zero.* (2) Missed problem-set points will be added to the weight on your final exam. (3) The midterm exams will each be given only on the dates scheduled. If you miss an exam for any reason (you do *not* need to inform me beforehand nor provide an excuse after the fact), its points will be added to the weight of your final. (Note well: final exam percentage scores are typically lower than any of the midterm exam scores, because there's more to remember. Diversifying lowers risk. It is therefore not a wise strategy to miss an exam if you don't need to.) (4) You may not “discard” a midterm or final exam score after you take it. Missed points on an exam that you do attend will *not* be added to the weight on your final exam. (5) No mobile phone may be used during an exam. A calculator may be used for computation only. Use for information retrieval is cheating. (6) Failure to take the final exam at the scheduled time will result in an exam score of zero (absent a valid medical excuse or certified exam conflict). (7) Performance on problem sets and exams will be the only basis for grading. No additional extra-credit projects will be offered or accepted. Grades are not negotiable. A low grade will not be excused after the fact. (8) Exams are governed by the University's academic honesty policy. Cheating results in a zero score. (9) No student may leave a midterm exam (final exam) before 25 (45) minutes have elapsed. No student may enter an exam after anyone has left.

Additional Information

ACADEMIC INTEGRITY: GMU is an Honor Code university; please see the University Catalog for a full description of the code and the honor committee process. The principle of academic integrity is taken very seriously and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. When you rely on someone else's work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions. When in doubt (of any kind) please ask for guidance and clarification.

GMU EMAIL ACCOUNTS: Students must activate their GMU email accounts to receive important University information, including messages related to this class.

OFFICE OF DISABILITY SERVICES: If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 993-2474. All academic accommodations must be arranged through the ODS. <http://ods.gmu.edu>

UNIVERSITY POLICIES

The University Catalog, <http://catalog.gmu.edu>, is the central resource for university policies affecting student, faculty, and staff conduct in university affairs

Other useful campus resources:

WRITING CENTER: A114 Robinson Hall; (703) 993-1200; <http://writingcenter.gmu.edu>

UNIVERSITY LIBRARIES "Ask a Librarian" <http://library.gmu.edu/mudge/IM/IMRef.html>

COUNSELING AND PSYCHOLOGICAL SERVICES: (703) 993-2380;
<http://caps.gmu.edu>