

COURSE SYLLABUS

ECONOMICS 310
SECTION 7
MONEY AND BANKING

GEORGE MASON UNIVERSITY

SPRING 2017

CHARLES HOFFMAN, INSTRUCTOR

Overview:

This course focuses on financial markets, the role that depository institutions and the Federal Reserve play in those markets, and the impact of those markets on the general economy. It is divided into three major segments. The first segment provides an overview of financial markets, financial institutions, and financial instruments. The second segment addresses financial institutions, the services they provide, how they are managed, and how they are regulated. The third segment examines how money is created, how the volume of money in existence is controlled, and the impact of the money supply on the economy in general. The role of international markets and institutions is covered in this final segment, although references to international markets will be woven into all three sections. A significant amount of class time will be devoted to applying the concepts presented in this class to current financial and economic events.

Class Meets: Robinson B111, Mondays, 7:20-10:00 p.m.

Text: Economics of Money, Banking and Financial Markets, The Business School Edition, 4th Edition. Frederick S. Mishkin. If you can obtain the 3rd edition at a lower cost, that will work. Several shorter readings will be made available through Blackboard. You are encouraged to read the financial pages of a major newspaper on a reasonably regular basis. You need not purchase the Econ Lab that goes with the textbook. However, if you find that you need some additional assistance during the semester, it can be a valuable learning tool

Class Format:

Classes will include a combination of lecture, class discussion, and other class activities. Outlines of lecture notes will be provided. Readings will be assigned in advance of each class. You will find the time spent in class more beneficial if you have completed the assigned readings in advance of the class. A portion of each class will also be devoted to discussion of current developments in financial markets and how they relate to the course. Many classes will include a brief multiple choice quiz in class and/or a brief homework assignment to be submitted during the following class.

Overall Course Objectives

Detailed objectives for each class will be distributed in class. These will also serve as study guides. At the end of this course, you should

- o Have a basic understanding of domestic and international financial markets, financial institutions, and financial instruments.
- o Have a basic understanding of how monetary policy is undertaken and how it affects the overall economy.
- o Be able to use your understanding of the financial services business to be a better consumer of personal or business financial services.
- o Be a more analytical and skeptical reader of the financial press.
- o Be able to analyze the positions of policy makers and political candidates with respect to monetary policy and the regulation of financial markets and financial institutions and assess the likely impact of these policies.
- o Be able to use basic economic concepts and models in analysis and decision-making.
- o Have enhanced your written communications skills.
- o Have a foundation for assessing your interest in a career in the financial services sector.

Schedule, Readings, and Assignments. Chapter numbers refer to Mishkin. Check Website for any changes.

Date	Readings Assigned	Assignment Due
Jan 23rd	Class 1: Introduction/Overview, Chs. 1, 2, 3.	Financial instrument matrix in class
Jan 30th	Class 2: Calculating interest rates. Ch. 4, except pp. 71-74.	
Feb. 6th	Class 3: Loanable funds model, yields on individual instruments. Ch. 5, pp. 85-87, pp. 107-112, Ch 6.	Interest rate problem.

Feb. 13th	Class 4: Efficiency of financial markets. Ch. 8 and Information costs and its effect on financial structure Ch. 7..	Yield curve
Feb. 18th	Optional review session. Time and place to be announced	Review questions posted online
Feb 20th	Class 5: First midterm	
Feb 27th	Class 6: Part 1: Managing a Bank, Ch. 9 and Financial Crises, Ch. 12. Part 2: Credit Delivery System at Grameen Bank, article on Grameen Bank posted on course website	First midterm returned. Submit paper topic.
Mar. 6th	Class 7. Part 1. Banking Industry Structure and Regulation. Ch. 10, 11. Part 2. Article on Islamic banking posted on the website	Bank profitability problem due. Turn in paper topic. Paper topics returned
Mar. 13 th	No class. Spring break	
Mar. 20th	Class 8. Other Types of Financial Institutions. Ch. 13.	
Mar. 27th	Class 9. Financial Engineering-- Options and Futures. Ch. 14.	Hedging problem due. Turn in partial draft of paper.
Apr. 1st	Optional review session. Time and place to be announced.	Review questions posted online
Apr. 3rd	Class 10: Second midterm.	
Apr. 10th	Class 11: Central Banks and the Federal Reserve System Ch 16 and Money Supply Process, Ch. 17.	Second midterm returned
Apr. 17th	Class 12. Tools and Conduct of Monetary Policy. Ch. 18, 19.	Money multiplier problem due
Apr. 24th	Class 13. Impact of Monetary Policy. Ch. 23.	Optional paper presentation.
May 1st	Class 14. Exchange Rates and International Financial Institutions. Ch. 20, 21.	Paper due.
May 8th	No class. Reading day	
May 13th	Optional review session. Time and place to be announced.	Review questions posted online
May 15th	Final exam. 7:30 to 10:15	

Exams. There will be three exams--two mid-terms and a final. The mid-terms will include a variety of question types including multiple choice, definition, short essay, and somewhat longer essays. They will consist of 6 questions of which you must answer 5. A voluntary question and answer session will be offered during the weekend prior to each exam. The final exam will cover only the material covered after the second midterm. There will also be a short multiple-choice quiz distributed in class during many weeks. The quizzes are designed to provide you with an indicator of how well you understand the concepts. The scores will not affect your final grade but you will receive a bonus point for each quiz you take.

Homework. Homework will be assigned many weeks. The homework will be a short assignment or problem that asks you to demonstrate your understanding of the material covered that week. We will review these assignments the following week. Many of these homework assignments will parallel questions that will be on the exams. Each of the homework assignments you complete will provide you with a bonus point that is equivalent to raising your score on one exam by one point. Homework assignments will not be accepted after the date on which they are due unless you make arrangements prior to the due date.

Class Presentations. Each week 4 people will be asked to make a very brief (3-4 minute) presentation in class on a story in the financial press during the past week and how it relates to this class. These assignments will be made in class the previous week. Many of these will come from the Financial Times. In order to access these stories you will need to access the Financial Times through George Mason's license at <https://registration.ft.com/corporate/signup/ovnB9a7GYZvS4>.

Paper. You will be asked to complete a brief analytical paper that you must submit during the last week of class. Detailed instructions for this paper are included below.

Grading.

Exams--80%.

Paper--15%.

Presentation of financial stories—5%.

You will have an opportunity to earn extra credit by submitting your paper topic and a brief paragraph describing your paper (3 points each) on the dates indicated above and by presenting a summary of your paper to the class (3 points) during the next to last class. In addition, you will receive one additional point for each of the homework assignments or in-class quizzes you submit. Grades will be assigned on the basis of percentage of total points possible—90%-A; 80%-B; 70%-C; 60%-D; Less than 60%-F. In calculating your percentage, extra credit points are added to the numerator but not the denominator. All exams, the paper, and the presentation must be completed to receive a grade in the course.

Office Hours. I can be reached during the day or evening at (703) 425-9236. You can reach me by e-mail at choffma1@gmu.edu. Because I am not on campus during the week, I do not have regular office hours. However, you can make an appointment to meet with me during the day or evening.

Course Website. Assignments and grades will be posted on the course website. To access the course site go to <http://mymason.gmu.edu>. Instructions for logging on are at that site.

Honor Code. 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>

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/ask>

COUNSELING AND PSYCHOLOGICAL SERVICES (CAPS): (703) 993-2380;

<http://caps.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.

Enrollment Procedures

Students are responsible for verifying their enrollment in this class. If you change your schedule, you must do so by the deadlines published in the Schedule of Classes. (Deadlines each semester are published in the Schedule of Classes available from the Registrar's Website registrar.gmu.edu.)

Last Day to Add or Drop

Last day to add: Monday, Jan. 30th

Last day to drop classes with 33% tuition penalty: Monday Feb. 13th.

Last day to drop classes (67% tuition penalty): Friday, Feb. 24th

Instructions for Completing Paper

You will analyze some aspect of the financial system in a country other than the United States and compare that to the United States. You will select both the country and the aspect of the financial system that you will focus on. For example, you could compare the way in which commercial banks are regulated in some country other than the U.S. with the way in which they are regulated in the U.S.

Your paper should cover the following topics

- A description of the aspect of the financial system in the foreign country that you are analyzing
- How the system in the foreign country differs from the system in U.S.
- Possible explanations for why the system in the foreign country is different
- How would the approach taken in the foreign country work if it were used in the U.S.
- Are there other differences in the financial system in the foreign country that makes the approach you have described more appropriate for that country?

The website of the International Monetary Fund will be a useful source of information about financial institutions and markets in foreign countries. If you speak the language, the website of the central bank of that country will generally also be useful.

The paper should be 3-5 pages double-spaced. Graphs and tables should not be counted as part of the length. Points will be subtracted for papers that are poorly organized or poorly written. Being able to undertake careful analysis and present your ideas clearly will be important in any job you are likely to have in the future. You should back up any assertions with examples and/or data. Because of the length restrictions, you will likely not be able to cover all aspects of the systems. Thus, your comparison of the U.S and foreign systems should focus on the most important aspects of the systems.

You may work with other students in the class in groups of no more than 3. The group will submit a single copy of the paper and all members of the group will receive the same grade.

You will have an opportunity to earn 3 bonus points by presenting a summary of your paper during the next to last class period. You will have 5 minutes to describe the analysis and conclusions you reached in your paper. You will also receive suggestions for changes to consider in finalizing your paper.

Identifying sources

You must include at least 2 sources of information in your paper. All sources should be listed in a bibliography. Any format can be used to list sources as long as it identifies the source sufficiently for it can be found. Where you have used Internet sources include the url where you found the source along with the normal information you would include in a bibliography. Where you refer directly to a source it should be footnoted either in the paragraph or at the bottom of the page.

