Economics 310 –08: Money, Banking, and Monetary Theory
Spring 2019
Tues 7:20 - 10:00 pm in Enterprise Hall 275
Prerequisites: ECON 103 and 104, or permission of instructor.

Prof. Lawrence H. White
lwhite11@gmu.edu
Office Hours: Tu 12-2. You must notify me in advance that you are coming. Other times can be arranged.

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 of money and banking institutions, and the alternatives for monetary policy. 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 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 15, 7:30 – 10:15 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 half, some more than one half of our 14 scheduled Tuesday night meetings. The schedule is only approximate. We may at times run ahead; at other times behind.

1. The nature and evolution of money (*meeting 1; Thomas chs.1-2*)
2. Cryptocurrency (*meeting 2a;* reading on Blackboard)
3. Financial markets (*meeting 2b;* Thomas ch. 3)
4. Financial intermediaries (*meeting 3a; Thomas ch. 4*)
5. Interest rates and bond prices (*meeting 3b; Thomas chs. 5-6*)
6. Managing a bank: risk-return tradeoffs (*meeting 4a; Thomas ch. 9*)
7. The history of banking (*meeting 4b; Thomas ch. 10*)

**First exam (meeting 5a, Feb. 19)**
8. Bank runs and deposit insurance (*meetings 5b-6a; Thomas ch. 11*)
9. Other issues in banking regulation: geographic restrictions; activity restrictions, lending discrimination, “war on cash,” offshore banking (*meetings 6b-7a*)
10. Central banking, the Fed, and the ECB (*meeting 7b; Thomas chs. 12-13*)
11. Money supply (*meeting 8; Thomas chs. 14-16*)

**Second exam (meeting 9a, Mar. 26)**
12. Money demand and the “velocity” of money (*meeting 9b;* Thomas ch. 22)
13. Monetary policy and interest rates (*meeting 10; Thomas chs. 18-19*)
14. Money, the price level, and real output (*meeting 11; Thomas chs. 20-22*)
15. Monetary expansion and inflation (*meetings 12a; Thomas ch. 23*)
16. Money and exchange rates (*meeting 12b; Thomas ch. 8*)

**Third exam (meeting 13a, Apr. 23)**
17. The options for monetary policy (*meeting 14; Thomas, chs. 24-25*)

**Final exam (Tuesday May 15, 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.
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