

THE GEORGE WASHINGTON UNIVERSITY
Department of Economics

Money and Banking Spring 2007
Econ 121.11, TR 8:00am-9:15am, Phillips 108
Econ 121.10, TR 9:35am-10:50am, Phillips 109

Instructor: Fred Joutz, Main Hall 215,
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Office Hours: T and R 11:00am-12:00pm and by appt.

Required Text: *The Economics of Money, Banking, and Financial Markets, Eighth Edition*, Frederic S. Mishkin, Addison-Wesley Publishers.

Recommended Text: *Study Guide to The Economics of Money, Banking, and Financial Markets, Eighth Edition*, Frederic S. Mishkin, Addison-Wesley Publishers.

Objectives:

The course is designed to provide the student with a framework for understanding the influence of money on inflation, interest rates, and business cycles. Financial markets and institutions will be studied to learn their impact on how funds are allocated among different types of assets. The primary or ultimate focus will be on monetary theory and policy.

The approach taken in this money and banking course is the economic analysis of money and financial markets. It will be divided into two related parts. The first part examines individual markets and decision makers in those markets. There are 6 types of decision makers in these markets: individuals, firms, banks, financial firms, monetary policy-makers, and foreigners. The decisions they make affect asset prices, movements in interest rates, the term structure of interest rates and foreign exchange rates. The second part focuses on monetary policy: How it is made? What are the goals? What are the impacts to financial markets and real sector?

At the end of the course, students should be able to understand the analysis of monetary policy and financial markets in the business pages of major newspapers and the Wall Street Journal or Financial Times.

We will be using the Blackboard system in the course. It will be used to disseminate lecture notes, problem sets, pose questions in discussion groups, and communicate via e-mail. All students are expected to log into the course site.

Grading:

There will be two tests. The first test is worth 35% of your grade and the second is worth 35% of your grade. Calculators may be used on tests. There will be six graded problem sets worth 5% of your grade each. You will receive problem sets approximately one week in advance. The problem sets will give an indication of material to be covered on the tests and the format of the questions. Problem sets may not be turned in late.

Additional Comments:

The study of economics is a cumulative one. Do not postpone reading the material until the night before exams. You will be expected to have read the material relevant to each lecture. If you are unsure, do not hesitate to ask me about your reading assignments.

There are three ways to develop and analyze an economic issue. They are: an intuitive explanation, graphical, and mathematical. (This class will not use mathematics above the level of simple algebra.) You can firmly understand an issue by trying to explain it using the three tools.

My teaching style is to provide a review of the theory in the book and then ask applied problems. Studying in pairs or groups is highly encouraged. Frequently having to explain a theoretical point to a peer or to discuss an issue with one is the best way to learn the material. In addition, you can benefit from meeting people and making friends. Given my teaching style, there are increasing returns to scale from working together. Please, do not hesitate to ask questions in class or during office hours.

Any student who feels s/he may need an accommodation based on the impact of a disability should contact Disability Support Services, Marvin Center 242, 994-8250, to have the disability documented and reasonable accommodations coordinated.

MONETARY THEORY AND POLICY COURSE The course outline is very optimistic and demanding-.

<u>Chapter</u>	<u>Title</u>
1	Why Study Money, Banking and Financial Markets?
2	An Overview of the Financial System
3	What is Money?
4	Understanding Interest Rates
5	The Behavior of Interest Rates
6	The Risk and Term Structure of Interest Rates
7	The Stock Market, Rational Expectations, and Efficient Market Hypothesis
19	The Foreign Exchange Market
8	An Economic Analysis of Financial Structure
13	Financial Derivatives
Test One	TBA
14	The Structure of Central Banks and the Federal Reserve System
15	Multiple Deposit Creation and the Money Supply Process
16	Determinants of the Money Supply
17	The Tools of Monetary Policy
18	The Conduct of Monetary Policy: Targets and Goals
20	The International Financial System
21	Monetary Policy Strategy: The International Experience
22	The Demand for Money
25	Aggregate Demand and Supply Analysis
26	Transmission Mechanisms of Monetary Policy: The Evidence
27	Money and Inflation
28	Rational Expectations: Implications for Policy
Test Two	TBA