

ECON 3200-060: Money & Banking

Spring 2016

Instructor: Dustin Hamalainen
Office: Econ. dept. (3rd floor OSH), cubicle # 2
Email: dustin.hamalainen@economics.utah.edu

Lecture: Thursdays 6:00 – 8:30 pm, Murray 109
Credit hours: 3
Office hours: Tuesdays 3:00 – 5:00 pm and by appointment

Course Description: “Examines monetary and financial instruments, institutions, and markets from the perspectives of theory, practice, and policy. The major sections of the course are the history and evolution of the monetary and financial system, the modern financial system and banking money and finance in macroeconomic theory, and the conduct of monetary policy.”

Course Objectives: This course develops a conceptual framework for understanding the “big picture” with respect to the modern financial system through an analysis of payment systems, money markets, foreign exchange and capital markets. At the end of the course, the student will be able to read and interpret financial periodicals and engage in discourse related to developments of the modern monetary and financial system.

Prerequisites: College Algebra, ECON 2010 and 2020 or instructor’s consent. The material covered in ECON 2020 (Principles of Macroeconomics) will be used extensively in this course.

Texts:

1. *Stigum’s Money Market*, by Marcia Stigum and Anthony Crescenzi, 4th edition (ISBN: 978-0071448451)
2. *Money and Banking*, by Robert Wright. This is a free, “open source” textbook, which can be accessed here: <http://www.saylor.org/site/textbooks/Money%20and%20Banking.pdf>

A copy of Stigum will be on reserve at Marriott library. Additional required readings will be posted to Canvas throughout the semester.

It is strongly recommended that students have access to the Financial Times, Wall Street Journal, or a comparable publication as lectures will refer to current events whenever possible. The ASUU Collegiate Readership Program provides access to a number of newspapers for free with your U-card; locations can be found at: <http://asuu.utah.edu/collegiate-readership-program>.

Assignments, Exams and Grading: A short quiz will be given each week on Canvas based on the assigned readings and the material covered in lecture. Quizzes are not designed to be time-intensive, but rather, to guide your reading and highlight important concepts. Quizzes will be graded based on correctness and the lowest two scores will be dropped.

Final Project: There will be a final project for this course that involves creating a Wikipedia entry on an approved topic related to Money and Banking; topics should be approved no later than March 31st. More details will follow.

Final grades will be calculated based on the following distribution:

Final Research Project	30%
Midterm (tentatively March 3rd)	20%
Final Exam	20%
Weekly Quizzes/Assignments	15%
Participation	15%

Letter Grade Distribution:

≥ 93.00	A	73.00 - 76.99	C
90.00 - 92.99	A-	70.00 - 72.99	C-
87.00 - 89.99	B+	67.00 - 69.99	D+
83.00 - 86.99	B	63.00 - 66.99	D
80.00 - 82.99	B-	60.00 - 62.99	D-
77.00 - 79.99	C+	≤ 59.99	E

General Policies:

- The use of computers and tablets for note taking is discouraged, but not restricted. However, the use of cellphones during lecture is prohibited.
- Group study is strongly encouraged; however, quizzes must be completed individually.
- Late work will not be accepted (exceptions may be made in cases of documented emergencies).

University Policies:

(1) “The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations. All information in this course can be made available in alternative format with prior notification to the Center for Disability Services.”

(2) Students are expected to abide by the Student Code (see <http://regulations.utah.edu/academics/6-400.php>) and maintain behavior in accordance with the standards of academic conduct. According to the Student Code, “a student who engages in academic misconduct [including, but not limited to, cheating, plagiarism, collusion, fraud and theft] ... may be subject to academic sanctions including but not limited to a grade reduction, failing grade, probation, suspension or dismissal from the program or the University, or revocation of the student’s degree or certificate” (Section V).

Course Outline:

1. **Introduction & Overview.** Section one provides an introduction to the language of money and banking as well as the fundamental concepts used in this course. Topics include: the basics of financial accounting; an introduction to the structure of financial markets, money market instruments and the valuation of fixed-income securities; the structure of the federal reserve system and a review of the mechanics of monetary policy.

Readings: - Mehrling (2013b)
- Stigum and Crescenzi (2007), Chapters 2, 3 (pp. 37–49), 4 (pp.71–73)
- Wright (2012), 9.1–9.2 (pp. 184–192) and 14.1–14.2 (pp. 311–316)

2. **Origins of the Present System.** Section two provides a survey of American monetary history starting with the transition from the National Banking System to the Federal Reserve System and its transformation to the institution we know today.

Readings: - Graeber (2011), *The Myth of Barter*
- Davies (2002)*, *From the Civil War to the founding of the ‘Fed’*

Optional: - Young (1929)

3. **Mechanics of the Present System.** Section three covers, in greater detail, the fundamentals of U.S. banking operations and the role of the Fed. Topics include: transaction settlement, Fed funds and Eurodollar markets; money market instruments (U.S. Treasury bills, Fed funds, banker’s acceptances, repo and reverse), Eurodollar futures and forwards; risk mitigation, swaps and credit derivatives; the anatomy of a crisis, open market operations and the transmission effects of monetary policy.

Readings: - Stigum and Crescenzi (2007), selected sections from chapters 7, 9, 10, 13, 18.
- others TBD

4. **Euromarkets, International Transactions & Foreign Exchange.** Section four extends our discussion of Eurodollars followed by an introduction to the mechanics of foreign exchange markets and theories of exchange rate determination.

Readings: - Wright (2012), Sections 18.1–18.4 (pp.373–391)
- others TBD

Optional: - Mehrling (2013a), *Essential hybridity: A money view of FX*

5. **Stability & Regulation.** The final section introduces theories of endogenous financial instability, the rise of shadow banking, and the role of financial regulation.

Readings: - Minsky (1992), *The Financial Instability Hypothesis*
- Sherman (2009), *A Short History of Financial Deregulation in the U.S.*
- others TBD

Asterisks (*) denote texts that are available in Marriott Library's digital collections.

Note: The syllabus is not a binding legal contract. It may be modified by the instructor when the student is given reasonable notice of the modification.

References

Davies, G. (2002). *A History of Money: From Ancient Times to the Present Day* (3 ed.), Chapter 9. University of Wales Press.

Graeber, D. (2011). *Debt: the first 5,000 years*. Melville House Publishing.

Mehrling, P. (2013a). Essential hybridity: A money view of fx. *Journal of Comparative Economics*.

Mehrling, P. (2013b). *The Inherent Hierarchy of Money*, pp. 394–404. New York, NY: Routledge.

Minsky, H. P. (1992). The financial instability hypothesis. *The Levy Economics Institute Working Paper Collection*. <http://www.levyinstitute.org/pubs/wp74.pdf>.

Sherman, M. (2009). A short history of financial deregulation in the united states. *Center for Economic and Policy Research*. <http://www.cepr.net/documents/publications/dereg-timeline-2009-07.pdf>.

Stigum, M. and A. Crescenzi (2007). *Stigum's money Market* (4 ed.). McGraw Hill.

Wright, R. (2012). Money and banking. <http://www.saylor.org/site/textbooks/Money%20and%20Banking.pdf>.

Young, A. (1929). *Commerce: The Marketplace of the World*, Chapter 34:35.