

26 August 2010

ECONOMICS 322: Money and Banking
Fall 2010
Unique No. 33420

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Prerequisite: Economics 420K and 320L with a grade of at least C- in each.

Office hours: Tuesday, 9:30 – 10:30

Objectives: This class will provide foundations in monetary policy and central banking, the determination of interest rates, the regulation of the financial system, and certain basic concepts in finance. All of this will be studied in the context of recent financial crises, so that by the end of the semester, students will have knowledge of the causes and consequences of the crises, as well as the policy and regulatory responses that have been implemented in response to the crises.

Teaching Assistant: Ahmet Ali Taskin, BRB 4.126. *Office hours:* Wednesday 1-2, Thursday 10.30-11.30. *email:* ataskin@mail.utexas.edu

Textbook: The textbook is Frederic Mishkin, *The Economics of Money, Banking and Financial Markets*, 9th edition published by Pearson. There is also a website for the book that I encourage you to explore. http://wps.aw.com/aw_mishkin_econmbfm_9/ (click on “Student Resources”)

Grades: Your grade in the course will be based on three midterm exams to be held during our normal class time and one take-home final project due on the last class day of the semester (December 3rd). Your exam score will comprise 2/3 of your grade, with the take home final project accounting for the remaining 1/3. Your lowest exam score will be dropped, so your exam score will be based on your best two exam scores. Note that the take home project at the end of the semester is mandatory, and will serve as your final exam for the course. We will not have a formal exam scheduled during the final exam period. Note that since you will be allowed to drop your lowest exam score, there will be no “make-up” exams.

Each exam/project will receive a percentage score. At the end of the semester, the three scores that count will be equally weighted to arrive at your total percentage score for the course. The grading scale is the usual one:

Letter	Lower	Upper
A	93.34%	100.00%
A-	90.00%	93.33%
B+	86.67%	89.99%
B	83.34%	86.66%
B-	80.00%	83.33%
C+	76.67%	79.99%
C	73.34%	76.66%
C-	70.00%	73.33%
D+	66.67%	69.99%
D	63.34%	66.66%
D-	60.00%	63.33%
F	59.99% and below	

There is no "extra credit" possible in this class and grades will not be "curved".

Homework: Several times during the semester, I will post homework problems for you to complete, but they will not be handed in or graded. These problems are intended to assist you in understanding the material that we discuss in class as well as to prepare you for upcoming exams. *Note: it is not possible to perform well in this class without paying careful attention to the homework problems.* Within a week after the homework is posted, I will post solutions for you to check your work. However, I encourage you to attempt the homework problems on your own instead of waiting for my solutions.

Appeals: There is a statute of limitations on appeals of exam and quiz scores. For example, if you feel that your answer could have been correct, also, yet you were not given credit, then you have one week from the date that exams were handed back in order to bring this to the attention the TA. If you are still not happy with the explanation that you have been given, then you can contact me to appeal the TA's decision.

The following schedule is best viewed as an approximation. We will not begin and end each topic precisely as shown here. For this reason, it is best to attend class regularly to find out what is being covered. Dates for exams are firm, regardless of the pace of the class. I will inform you in class of the material that will be covered in upcoming exams and quizzes.

<i>Week</i>	<i>Topic</i>	<i>Chapters in Mishkin</i>	<i>Supplementary Reading</i>	<i>Special dates</i>
8/31	Introduction to Money and Financial Markets	1-3		
9/7	Interest Rates and the Loanable Funds Model	4-5		
9/14	The Term and Risk Structure of Interest Rates	6		
9/21	The Stock Market and the Efficient Markets Hypothesis	7		Exam 1, 9/23
9/28	Financial Crises	8-9		
10/5	Manging Financial Institutions	10		
10/12	Competition and Regulation of Financial Institutions	11-12		
10/19	Central Banks – structure and comparison	13		Exam 2, 10/21
10/26	The Money Supply process	14		
11/2	Tools of Monetary Policy	15		
11/9	Goals of Monetary Policy	16		
11/16	The Monetary Transmission Mechanism	23		
11/23				Exam 3, 11/23

By UT Austin policy, you must notify me of your pending absence at least 14 days prior to the observance of a religious holiday. If one of our exams falls during this period, then you will be given the opportunity to take a different version of the exam *prior* to the scheduled date.

As with all classes at UT-Austin, you are bound by the UT Honor Code: *The core values of the University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and*

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responsibility. Each member of the University is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community. Academic dishonesty of any sort will not be tolerated in this class.