Instructor: Helu (Lucia) Jiang,

Time and Location: Monday-Friday 11:00 am - 12:45pm (from July 13 to August 13)

Contact: heluijiang@wustl.edu; Seigle Hall 373

Office Hours: Right after class or by appointment

Course Description

This is an introduction class to money and banking. We will focus upon the theoretical and empirical aspects of the money, the monetary system, and the banking system. We will study interest rate, inflation, the functions of the central bank, and the roles of monetary policy. Prerequisites: Elementary macroeconomics and microeconomics.

Textbook

Required textbook is *The Economics of Money, Banking, and Financial Markets*, 10th edition by Frederic Mishkin. I will also post additional readings, most of which are taken from magazines and newspapers. *The Wall Street Journal* and *The New York Times* are also recommended. These additional readings help to bridge the formal theories with applications to our real economy. Not all of the reading will be covered in class.

Grading

Your grade will be determined by three non-cumulative in-class exams, case debate, and class participation. Pop quiz will be given in class randomly, but it will not count into your final grade; however, it will be taken into consideration in the event of a borderline final grade. In addition, homework questions will be announced everyday after lecture. Homework will not be graded so you do not need to hand it in, however, it is strongly recommended to finish homework questions as the practice for the exams.

- Three exams count 60% of your final course grade. There will be no make-up for the missed final (exam 3). Only university-approved excuses can be accepted for missing an exam, and it is your responsibility to notify me at least *three days before* the exam; otherwise the exam will be recorded as a zero. Please talk to me as early as possible if you are going to miss the exam so that we can reschedule a make-up.

- Case debate counts 25% of the final grade. We will talk more about this part as class continues.

- Class participation counts 15% towards your final grade.
Academic Integrity

Your are held to the standards of academic integrity established by Washington University and your individual college. In particular, evidence of cheating on an exam will result, initially, in a failing grade on the exam, and immediate academic disciplinary action. If you ever feel that these standards of academic integrity are not being met, please notify me or an undergraduate advisor immediately. If you are uncertain about the policy on academic integrity at Washington University, refer to your undergraduate advisor, to the university’s Student Judicial Procedures, or to your school’s statement of student academic integrity.

Washington University is committed to providing accommodations and/or services to students with documented disabilities. Students who are seeking support for a disability or a suspected disability should contact Disability Resources at 935-4153. Disability Resources is responsible for approving all disability-related accommodations for WU students, and students are responsible for providing faculty members with formal documentation of their approved accommodations at least two weeks prior to using those accommodations. Please talk to me within the first week of the class if you are considering applying for Disability Resources VISA, and I will accept forms by email and personal delivery. If you have already been approved for accommodations, I request that you provide me with a copy of your VISA within the first week of the class.

Tentative Course Outline

Week 1: Overview of the Financial markets

- 7/13: Intro & Overview of the Financial system (Chapter 1 & 2)
- 7/14: Understanding Interest Rates (Chapter 4)
- 7/15: The Behavior of Interest Rates (Chapter 5)
- 7/16: The Risk and Term Structure of Interest Rates (Chapter 6)
- 7/17: The Efficient Market Hypothesis (Chapter 7)
- Further Readings
  - The Economist: “Over the counter, out of sight”
  - Christensen: “Treasury Bond Yields and Long-Run Inflation Expectations”
  - Neely: “The Mysterious Greek Yield Curve”

Week 2: Financial Institutions

- 7/20: Debate 1; Review session
- 7/21: Exam 1
- 7/22: Financial Structure (Chapter 8)
- 7/23: Management of Financial Institutions (Chapter 10)
- 7/24: Financial Crisis (Chapter 9)
• Further Readings
  – Greenwood, Sanchez, Wang: “Quantifying the impact of financial development on economic development”
  – Wheelock: “Too big to fail: The Pros and Cons of Breaking Up Big Banks”
  – James: “Mortgage-Backed Securities: How Important is “Skin in the Game”?"

Week 3: Monetary Policy
• 7/27: Financial Regulation (Chapter 11)
• 7/28: What is Money? (Chapter 3)
• 7/29: Central banks and Federal Reserve System (Chapter 13)
• 7/30: Debate 2; Review session
• 7/31: Exam 2
• Further Readings
  – Lucas: “What Economists do”

Week 4: Monetary Policy Cont. and Monetary Theory
• 8/3: Movie Time!
• 8/4: Money Supply Process (Chapter 14)
• 8/5: Tools of Monetary Policy (Chapter 15)
• 8/6: The Quantity Theory, Inflation, and the Demand for Money (Chapter 19)
• 8/7: ISLM Model (Chapter 20)
• Further Readings
  – Koech: “Hyperinflation in Zimbabwe”
  – Ennis and Wolman: “Excess Reserves and the New Challenges for Monetary Policy”

Week 5: Aggregate Demand and Aggregate Supply Model
• 8/10: AD and AS (Chapter 21 & 22)
• 8/11: AD and AS cont. (Chapter 21 & 22)
• 8/12: Debate 3; Review Session
• 8/13: Exam 3