Money and Banking ECON-UA 9231

Fall 2014, [Tuesday 6:15PM – 9:15PM]

Location to be confirmed.

Faculty Name

Faculty Email

Office Hours: Please arrange an appointment with me either in person or phone/email

Introduction to Macroeconomics (ECON-UA 1) and Introduction to Microeconomics (ECON-UA 2), or Introduction to Economic Analysis (ECON-UA 5) or equivalents.

This course will provide perspective on the workings of the monetary and financial system, both within a given country as well as at an international level. The first part of the course will focus on the key financial asset markets. This is predicated on understanding the time value of money, which leads to the determination of interest rates and its term and risk structure; learning about various ways to store wealth leads to the structure of financial markets where financial instruments are created and traded to meet diverse needs. The second part of the course will involve studying the monetary and financial system. The role of money and the tools to conduct monetary policy will be analyzed in detail, including the function of the Central Bank, its links to the commercial banking industry, and how monetary policy impacts the economy and the overall goal of ensuring financial stability to the system. Many examples will be drawn within the context of the recent financial crisis, for example the role that the Federal Reserve and European Central Bank played as a policy and regulatory response to financial instability.

Course objectives include developing an understanding of:
The basic structure of financial markets
Money supply and interest rates, and impact on the economy
Central banking and monetary policy, including its transmission mechanisms
Structure of the banking system
Regulation of the financial system
Current events, especially as related to the recent financial crisis

Course grades will be based on the following:
- Attendance/Class participation: 15%
- Written assignments/ problem sets: 15%
- One mid-term exam: 30%
- One final exam: 40%

Failure to submit or fulfill any required course component results in failure of the class.

Grade A: The student makes excellent use of empirical and theoretical material and offers well-structured arguments in his/her work. The student writes comprehensive essays / exam questions and his/her work shows strong evidence of critical thought and extensive reading.

Grade B: The candidate shows a good understanding of the problem and has demonstrated the ability to formulate and execute a coherent research strategy.

Grade C: The work is acceptable and shows a basic grasp of the research problem. However, the work fails to organize findings coherently and is in need of improvement.

Grade D: The work passes because some relevant points are made. However, there may be a problem of poor definition, lack of critical awareness, poor research.

Grade F: The work shows that the research problem is not understood; there is little or no critical awareness and the research is clearly negligible.
NYU Washington, DC uses the following scale of numerical equivalents to letter grades:

<table>
<thead>
<tr>
<th>Numerical Range</th>
<th>Letter Grade</th>
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<tbody>
<tr>
<td>100-94</td>
<td>A</td>
</tr>
<tr>
<td>93-90</td>
<td>A-</td>
</tr>
<tr>
<td>89-87</td>
<td>B+</td>
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<tr>
<td>86-84</td>
<td>B</td>
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<tr>
<td>83-80</td>
<td>B-</td>
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<td>79-77</td>
<td>C+</td>
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<td>76-74</td>
<td>C</td>
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<tr>
<td>73-70</td>
<td>C-</td>
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<tr>
<td>69-67</td>
<td>D+</td>
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<tr>
<td>65-66</td>
<td>D</td>
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<tr>
<td>below 65</td>
<td>F</td>
</tr>
</tbody>
</table>

Study abroad at Global Academic Centers is an academically intensive and immersive experience, in which students from a wide range of backgrounds exchange ideas in discussion-based seminars. Learning in such an environment depends on the active participation of all students. And since classes typically meet once or twice a week, even a single absence can cause a student to miss a significant portion of a course. **To ensure the integrity of this academic experience, class attendance at the centers is mandatory, and unexcused absences will affect students' semester grades.** Students are responsible for making up any work missed due to absence. Repeated absences in a course may result in failure. Beginning Fall 2014, at all Global Academic Centers, unexcused absences will be penalized with a two percent deduction from the student’s final course grade.

To seek an excused absence for medical reasons, students must email or discuss with the Program Coordinator for Academics in advance of their missed class. For an excused absence, students must produce a doctor’s note dated with the exact dates of the missed class and/or exam.

Non-medical absences must be discussed with the Program Coordinator for Academics prior to the date(s) in question, who will communicate the absence to all relevant faculty members. If faculty members do receive notification, the student has not procured an excused absence.

NYU Washington, DC expects students to arrive to class promptly (both at the beginning and after any breaks), to be attentive, and to remain for the duration of the class. If full class attendance and participation becomes a problem, it is the prerogative of each instructor to apply the rule for unexcused absences, which may include a two percent deduction from the student’s final course grade.
Students are responsible for making up any work missed due to absence. This means they should initiate email and/or office hour discussions to discuss any missed lectures and assignments and arrange a timeline for submitting missed work.

Please note that for classes involving a field trip or other external visit, transportation difficulties are never grounds for an excused absence. It is the student’s responsibility to arrive at the announced meeting point in a punctual and timely fashion. Staff members may always be reached by cell phone for advice regarding public transportation.

1) Written work due in class must be submitted during the class time to the professor.

2) Late work should be emailed to the faculty as soon as it is completed. If the assignment must be submitted in person, the Program Coordinator for Academics can collect on behalf of the faculty between the hours of 10-6, M-F.

3) Late work will be reduced for a fraction of a letter grade (e.g: A to A-, A- to B+, etc.) for every day it is late, including weekends.

4) Written work during the semester that is submitted 5 days after the submission date (including weekends) without an agreed extension fails and is given a zero.

5) Students who arrive to class late for an exam do not have automatic approval to take extra time to complete the exam.

6) Students who miss an exam (including the final) without previously arranged permission will receive a zero on that exam.

7) Assignments due during finals week that are submitted more than 3 days without previously arranged extensions will not be accepted and will receive a zero. Any exceptions or extensions for work during finals week must be discussed with the Site Director.

Accommodations are available for students with documented disabilities. Please contact the Moses Center for Students with Disabilities at 212-998-4980 or see their website (http://www.nyu.edu/life/safety-health-andwellness/students-with-disabilities.html) for further information.
As the University's policy on "Academic Integrity for Students at NYU" states: "At NYU, a commitment to excellence, fairness, honesty, and respect within and outside the classroom is essential to maintaining the integrity of our community. By accepting membership in this community, students take responsibility for demonstrating these values in their own conduct and for recognizing and supporting these values in others." **Students at Global Academic Centers must follow the University and school policies.**

The presentation of another person’s words, ideas, judgment, images or data as though they were your own, whether intentionally or unintentionally, constitutes an act of plagiarism.

NYU Washington, DC takes plagiarism very seriously; penalties follow and may exceed those set out by your home school. All your written work must be submitted as a hard copy AND in electronic form to the instructor. Your instructor may ask you to sign a declaration of authorship form.

It is also an offense to submit work for assignments from two different courses that is substantially the same (be it oral presentations or written work). If there is an overlap of the subject of your assignment with one that you produced for another course (either in the current or any previous semester), you MUST inform your professor.

For guidelines on academic honesty, clarification of the definition of plagiarism, examples of procedures and sanctions, and resources to support proper citation, please see:

http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/academic-integrity-for-students-at-nyu.html

http://gls.nyu.edu/page/glsacademicintegrity

http://cas.nyu.edu/page/academicintegrity


**Required Text(s)**

Supplemental reading assignments are indicated in the syllabus for each session.

When utilizing sources from the internet, please cite appropriately and whenever possible, reference specific documents (rather than home or menu pages) and provide an address that works.

**Session 1**

**Introduction to Money and Financial Markets, Mishkin Chapters 1-3**

Campbell Harvey's Finance Glossary:  
http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm  
Investor Words: http://www.investorwords.com/

The Fed Strives to Replenish Depleted Toolkit:  

**Session 2**

**Understanding Interest Rates, Mishkin Chapter 4**

Fed: Historical Changes to Fed Funds and Discount Rate:  

**Session 3**

**The Behavior of Interest Rates, Mishkin Chapter 5**

http://research.stlouisfed.org/publications/es/09/ES0924.pr

Session 4  

**The Risk and Term Structure of Interest Rates, Mishkin Chapter 6**


Not All Bubbles Present Risk: [http://www.ft.com/cms/s/0/98e7c192-cd5f-11de-8162-00144feabdc0.html?nclick_check=1](http://www.ft.com/cms/s/0/98e7c192-cd5f-11de-8162-00144feabdc0.html?nclick_check=1)


The Impact of an Inverted Yield Curve: [http://www.investopedia.com/articles/basics/06/invertedyieldcurve.asp](http://www.investopedia.com/articles/basics/06/invertedyieldcurve.asp)


Session 5  

**Stock Market and the Efficient Markets Hypothesis, Mishkin Chapter 7**


An Overview of Portfolio Theory:  [http://www.investopedia.com/articles/06/MPT.asp](http://www.investopedia.com/articles/06/MPT.asp)

Common Mistakes to Avoid:  [http://www.investopedia.com/articles/stocks/07/beat_the_mistakes.asp](http://www.investopedia.com/articles/stocks/07/beat_the_mistakes.asp)

Asset Allocation:  [http://www.investopedia.com/articles/03/032603.asp](http://www.investopedia.com/articles/03/032603.asp)

Session 6  

**Mid Term Exam**

An Economic Analysis of Financial Structure, Mishkin Chapter 8
Session 7

Fall Break

Session 8

Financial Crises in Advanced Economics and in Emerging Market Economies, Mishkin Chapters 9, 10


Session 9

Banking and Management of Financial Institutions, Mishkin Chapter 11

Carney, “What are Banks Really For?” (pages 2-4) http://www.bis.org/review/r090331a.pdf?frames=0 (2009)


Caprio, Gerard Jr., “Safe and Sound Banking: A Role for Countercyclical Regulatory Requirements?,” Department of Economics, Williams College, June 2009

http://online.wsj.com/news/articles/SB10001424052748704523604575511813933977160

Session 10

Banking Industry: Structure and Competition, Mishkin Chapter 13

[please find interesting article on the problem of “too big to fail” and why big banks create a systemic risk to the financial system]

Pozsar, Zoltan; Adrian, Tobias; Ashcraft, Adam; and Boesky, Hayley, "Shadow Banking," Staff Report, Federal Reserve Bank of New York, July 2010.
http://www.newyorkfed.org/research/staff_reports/sr458.pdf


Session 11

Central Banks and Money Supply Process, Mishkin Chapters 14, 15


Gorton and Huang, "Banking Panics and the Origin of Central Banking" (Intro)

Session 12

Tools, Strategy, and Tactics of Monetary Policy, Mishkin Chapters 16, 17

"US Monetary Policy: An Introduction,"

Bernanke, “Deflation: Making Sure ‘It’ Doesn’t Happen Here”

Kohn, “Monetary Policy and Asset Prices Revisited”

Santomero, “What Monetary Policy Can and Cannot Do”


Federal Reserve Board, “Credit and Liquidity Programs and the Balance Sheet”
(http://www.federalreserve.gov/monetarypolicy/bst.htm); review all links.

Session 13

Foreign Exchange Market and International Financial System, Mishkin Chapter 18, 19

Thanksgiving Holiday

Primer on Forex Markets: http://www.investopedia.com/articles/trading/03/091703.as

Bloomberg Online â€“ Global Currencies:

A Beginner’s Guide to Exchange Rates:
http://economics.about.com/library/weekly/aa022703a.htm

Interest Rates and the Carry Trade:

Worries about Foreign Currency Reserves:
What Would A Return to the Gold Standard Mean?

Session 14
European Sovereign Debt Crisis, Mishkin Chapter 19

The European Sovereign Debt Crisis:
http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.3.49

European Debt Crisis: http://topics.bloomberg.com/european-debt-crisis/


Session 15
Final Exam

Required Co-curricular Activities

We will be meeting with people in DC who directly impacted policy related to mitigating the effects of the financial crisis. These meetings will provide unique perspective to the texts that we will be reading and discussing, and are mandatory.

Your Instructor

Mike is currently the Director of Millstein & Co, a financial services firm that provides advisory services to clients facing complex corporate and public finance issues. He was most recently a Senior Policy Advisor at the Financial Stability Oversight Council at the U.S. Department of the Treasury. At Treasury, he also served as the Director of Investments for TARP, where he helped execute and oversee emergency financial programs that were implemented during the financial crisis. Mike was previously a Vice President in investment banking at Merrill Lynch's Financial Institutions Group. Mike also worked at McKinsey & Co as a consultant for several years and prior to that, researched development economics in Korea as a Fulbright Scholar. He has an MBA from Columbia Business School and a BA from Williams College.