NYU in Florence

Money and Banking
V31.9231.002.FA10
Fall Semester 2010
Class meets: Thu. 9:00-11:45 AM

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Web material on the Blackboard at home.nyu.edu
Office Hours: by appointment in order to accommodate students’ diverse schedules

**Aim of the Course** is to offer a perspective on the workings of the monetary and financial system within a country and at an international level. The role of money and the tools to conduct monetary policy will be analyzed in detail. The concept of the value of money now and in the future will help us understand the role of interest rates and of risk; various way to store wealth will take us into the structure of financial markets where financial instruments are created and traded to meet diverse needs. Some basic concepts on the role played by commercial banks will introduce the function of the Central Bank and of monetary policy in the overall goal of ensuring financial stability to the system. Current issues such as the role of the European Central Bank and the instability created by the recent subprime mortgage crisis will be discussed.

The **readings** are very important. The required ones are kept to a minimum, which allows you to come to class prepared and ready to interact.
At the end of a class, you will help me understand how effective the class was by handing in a so-called "one-minute paper". You will have to answer the following questions:
1. What is the most important thing you learned today?
2. What is the most important unanswered question you have about current course material?
You will be given 2-3 minutes to write answers. You will turn in the papers as you leave and may remain anonymous. (No grading on these). This will allow me to make the necessary customizations to the class format as we go.

In order to alleviate the burden given by the length of the class, I have chosen to organize the class in a way that alternates theory and some problem solving (stretching time or cappuccino pause in-between).

Course Requirements
Registration:
You are already registered of course, but I need you to get geared up and running to use the Blackboard system which I will use as the main communication system. By the second class I am expecting you
• to activate your NetID on home.nyu.edu (if you have not done so already),
• to change your email address to the one you check regularly in your “preferences” section
• to check regularly the Blackboard in order to keep abreast on course announcements and updates.

NO EXCUSES GIVEN TO MISSPLACED PASSWORDS OR UNACTIVATED ACCOUNTS. Be responsible and considerate, Big Brother will be watching you...

Participation:
The alert presence of your person is the absolute minimum requirement for your participation in our class. The first aspect of this concerns your physical presence in the room. Please note that excuses are given ONLY for sickness (an actual doctor’s certificate with a diagnosis required, not a doctor’s declaration that you need rest). If you are sick, I would appreciate it if you could alert a classmate, or me or the office of academic support PRIOR to class meeting), and observance of religious holidays (according to the NYU list).
But, beyond physical presence, I require your engaged intellect. When you walk through the classroom door you must commit yourself to almost 3 hours of engaged though diversified attention. A sleeping student is a contradiction in terms. Beyond an engaged intellect, you must also have a prepared set of concepts and ideas from which our discussions can be launched. Thus, every student now present in body and mind is also expected to have completed the readings for that day.
Keeping abreast of current events is considered a plus. And, so that we may better make our points and enjoy the intellectual companionship the classroom offers us, students must bring the book and a pocket calculator to class each time we meet.

Participation is graded daily on a 0-10 scale: 0 = absence, 5-6 = present but late or disengaged; 7-8 = present, attentive; 9-10 = active. Attendance is taken when class begins and participation is recorded as class proceeds: if you should come to class late, please enter quietly so as not to disrupt the lecture/discussion, and be sure to see me at the end of the class. Should you have additional points to make in regard to a particular discussion after class has ended, please email me.

A couple of items which are not allowed while the class is in session:
   1. Leaving the room
   2. Using laptops
   3. Yawning loudly
   4. Doing your homework for other courses

**Academic Integrity Policy** Students are expected to maintain the highest standard of academic integrity per New York University policy as discussed during orientation. Plagiarism is unacceptable in this course. You are plagiarizing when you use someone else’s words, ideas, opinions, or analysis as your own. The Internet is full of resources: using them to form your ideas about a concept or a problem is fine but just cutting and pasting the material or mere paraphrasing will not be accepted. Any student found to have plagiarized on a written assignment or cheated on an examination -- whether help was given or received -- will be sanctioned.

**Homework:** There will be 5 problem sets graded for which there will be an answer sheet on the Blackboard. In case you do not turn it in during class time DO NOT put it in my mailbox but HAVE IT STAMPED and DATED by the staff at the front office.

There will NOT be any extension given, out of fairness to your classmates.

**Exams:** one midterm and a final.

**Grading:** Problem Sets 20%, Midterm 30%; Final 40%; Class participation 10%. See the previous section for the way class participation is evaluated.

**Topics covered in the course:**
Money, the payment system, financial markets and institutions, store of wealth, risk, bonds, term structure of interest rates, stock markets, exchange rates, commercial banks, central banks (Fed and ECB), money supply and monetary policy.
Readings:
- Web page for the course on the Blackboard where announcements for supplementary required readings will be posted.

DETAILED PROGRAM/READINGS ASSIGNMENT

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
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<tbody>
<tr>
<td>Thu Sep 9</td>
<td>Introduction</td>
<td>Ch 1</td>
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<tr>
<td>Thu Sep 16</td>
<td>Money and the Financial System</td>
<td>Ch 2 and 3</td>
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<td>Thu Sep 23</td>
<td>Understanding Interest Rates</td>
<td>Ch 4</td>
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<td>Thu Sep 30</td>
<td>The Behavior of Interest Rates</td>
<td>Ch 5</td>
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<td>Thu Oct 7</td>
<td>The Risk and Term Structure of Interest Rates, The Stock Market and the Theory of Rational Expectations</td>
<td>Ch 6 and 7</td>
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<td>Thu Oct 14</td>
<td>Financial Crises and the Subprime Meltdown</td>
<td>Ch 9</td>
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<tr>
<td>Thu Oct 21</td>
<td>Midterm</td>
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<td>Thu Oct 28</td>
<td>Fall Break</td>
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<td>Thu Nov 4</td>
<td>Banking and Management of Financial Institutions</td>
<td>Ch 10</td>
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<td>Thu Nov 11</td>
<td>Economic Analysis of Financial Regulation</td>
<td>Ch 11</td>
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<td>Thu Nov 18</td>
<td>Central Banks and the Money Supply Process</td>
<td>Ch 16 &amp; 17</td>
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<td>Thu Nov 25</td>
<td>Monetary Policy Tools, Goals, Strategy, and Tactics</td>
<td>Ch 18 &amp; 19</td>
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<td>Thu Dec 9</td>
<td>Foreign Exchange Markets</td>
<td>Ch 21</td>
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<td>Thu Dec 16</td>
<td>Final</td>
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Roughly for each class, there will be one chapter out of the textbook: the chapters are filled with supplementary readings with the goal to provide insights into the chapter’s material. Along the same vein, I will suggest occasional articles from The Economist magazine or other newspapers to be distributed or put on the BB.