

ECON311: Money and Banking
Fall 2024, Section 01, MW 2:00 pm -3:20 pm, Chancellors Hall 134

CONTACT INFORMATION

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Office Hours: MW, 4:00 pm - 5:00 pm or by appointment (please email at least one day in advance)

RESOURCES

- (Required) Mishkin, *Economics of Money, Banking and Financial Markets*, 13th Edition, Pearson, 2022. (ISBN: 9781292409481)
- MyLab subscription (comes with e-text; available for purchase at pearson.com: link; Course ID: **han62990**)

COURSE DESCRIPTION

This course is a survey of financial markets and monetary policy, which combines tools from the introductory economics courses. The first half of the course generally relates to microeconomics. We will overview various financial assets—money (or currency), bonds, and stocks—and their respective markets where savers and borrowers interact to determine asset prices and returns. The second half of the course steps back to the macro level. Monetary policy affects interest rates in financial markets and thus influences macro variables such as employment, the price level, and output. Ultimately, financial and goods market equilibrium is formally modelled (IS-LM) as well as aggregate supply and demand (AS-AD).

LEARNING OBJECTIVES

The course is designed to improve economic literacy by analyzing financial markets and monetary policy. You will strive for the following learning objectives:

- Understand the components of the financial system and their connections
- Know why interest rates are important, where they come from, and how they behave
- Discuss the 2007-2008 subprime mortgage crisis
- Explain banking operations, structure, and regulation
- Examine the goals and tools of central banks, specifically the Federal Reserve System
- Perform monetary policy analysis with the IS-LM and AD-AS models

PREREQUISITES

ECON 102 (Principles of Macroeconomics). More generally, students should be familiar with the concepts of supply and demand, the basics of monetary and fiscal policy, and have some experience using equations, graphs, and tables to analyze economic situations. You are also expected to be familiar with functions and their graphical representation. Consistent study habits coupled with an eagerness to learn and ask questions will help to achieve a desirable final grade.

ATTENDANCE AND PARTICIPATION

It is your responsibility to attend and participate in all class periods and throughout the term. **I will randomly check attendance throughout the semester. You will receive 2 points for attending the selected class that I checked attendance, and all points you earn from attendance are extra credit.** The maximum attendance points you can earn will be 20 points (4% of the total course grade).

EXAMS

Exams are stressful but useful. They provide an incentive for you to learn and yield data for me to evaluate your performance. Exams will consist of multiple-choice and short answer questions. *Basic* calculators are optional, but the use of any other electronics is prohibited during exams. We will have two in-class exams and a final exam:

Wednesday, October 2	Midterm I Exam	25% of your course grade
Wednesday, November 6	Midterm II Exam	25% of your course grade
Thursday, Dec. 12, 2-5pm	Final Exam	30% of your course grade

There are no make-up exams. If you have a legitimate excuse for missing an exam, the weight of the exam is shifted to the next exam. Excuses should be documented as far in advance as possible of the scheduled midterm exam date. If you miss an exam without obtaining an excuse, your score is zero and there are no chances to earn those course points.

It is the policy of The College of William & Mary to accommodate students with disabilities and qualifying diagnosed conditions in accordance with federal and state laws. Any student who feels s/he may need an accommodation based on the impact of a learning, psychiatric, physical or chronic health diagnosis should be referred to Student Accessibility Services (SAS) staff at 757-221-2509 or at sas@wm.edu. SAS staff will work with you to determine if accommodations are warranted, and if so, to help you obtain an official letter of accommodation. For more information please see www.wm.edu/sas.

Please note that anything discussed in class or any topic in the assigned reading from the textbook is “fair game” for the exams. There may be material presented in class that is not in your textbook, so make sure that you have a full set of notes from which to study. The exam questions will test your ability to understand and recall basic principles. They also will test your understanding of applications of theories and models. You must learn to manipulate the models and tools to get answers to problems that you encounter for the first time.

MYLAB

Daily practice is provided through MYLAB in the form of homework and practice quizzes that correspond to the chapters in the textbook. To get started with MYLAB, please consult the registration handout attached to this syllabus. Graded weekly quizzes are posted at 5:00 p.m. on Friday and are due the following Friday at 5:00p.m. You have an unlimited number of retakes for each quiz during the week in which it assigned. Your highest score on each quiz is recorded so long as it is submitted before the deadline. If you fail to complete the quiz at least once before the deadline you will receive a zero. There are no exceptions. There are a total of 11 (excluding the first week and exam weeks) quizzes of which the 10 best scores will count toward 100 points (10%) of your final grade.

ACADEMIC INTEGRITY

I expect everyone to follow the Honor Code. Please see your student handbook for details. “As a member of the William and Mary community, I pledge on my honor not to lie, cheat, or steal, either in my academic or personal life. I understand that such acts violate the Honor Code and undermine the community of trust, of which we are all stewards.” A minimum penalty for any breach of academic integrity is the grade of “F” for the course.

COURSE GRADING

The classes are a mixture of lecture, discussion, and review. You are responsible for being aware of your cumulative grade and current standing in this course. If you have any grading questions, please contact me at your earliest convenience. The weight of the exams increase over time. This is to reward you if you show improvement throughout the course. The grading scheme is as follows:

Activity	Maximum Points	Percent
MyLab	100	20%
Midterm I Exam	125	25%
Midterm II Exam	125	25%
Final Exam	150	30%
Attendance/Participation	+20	+4%

There are 500 total possible points in this class and you may earn up to 520 (104%) with good attendance and participation. Please note that it is possible to miss the next highest grade by only a few points—the cutoffs below are immovable. If you wish to appeal any grading, you must contact me within one week from the date I post your score. The following table indicates the minimum number of points needed to guarantee a certain grade.

Grade	Minimum Points	Grade	Minimum Points
A	460	C	350
A-	440	C-	335
B+	425	D+	320
B	405	D	300
B-	385	D-	275
C+	370	F	<275

TENTATIVE COURSE OUTLINE

This is a tentative outline. My goal is to proceed at an optimal pace: slow enough that important concepts are thoroughly learned, yet fast enough that the course does not drag. It is a delicate balance. Consequently, this outline is subject to change. Any changes are announced in class.

Topic	Chapters	Classes	Quiz Due
Overview of money and banking	1-3	Sept. 4	
Financial Markets			
Interest Rates	4-5	Sept. 9, 11	Sept. 13
Term structure and stock market	6-7	Sept. 16, 18	Sept. 20
Financial Institutions			
Financial structure and crises	8-9	Sept. 23, 25	Sept. 27
Review	1-9	Sept. 30	
***Midterm I Exam (Chapters 1-9): Wednesday, Oct. 2			
Banking and regulation	10-11	Oct. 7, 9	Oct. 11
Banking structure and competition	12	Oct. 14	
Central Banking, Monetary Policy, and International Finance			
Central banks and the Federal Reserve System	13	Oct. 16	Oct. 18
Money supply and monetary policy tools	14-15	Oct. 21, 23	Oct. 25
Monetary policy conduct and foreign exchange	16-17	Oct. 28, 30	Nov. 1
Review	10-17	Nov. 4	
***Midterm II Exam (Chapters 10-17): Wednesday, Nov. 6			
International finance system	18	Nov. 11	
Monetary Theory			
Demand for money	19	Nov. 13	Nov. 15
Monetary and fiscal policy with ISLM model	20-21	Nov. 18, 20	
ISLM and ASAD models	21-22	Nov. 20	Nov. 22
ASAD and monetary policy	22-23	Nov. 25	Nov. 29
Inflation and rational expectations	24-25	Dec. 2, 4	Dec. 6
***Final Exam (Chapters 1-25): Thursday, Dec. 12, 2-5pm			