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ECNS 313.01: Money and Banking

Matthew P. Taylor

University of Montana, Missoula, matthew.taylor@umontana.edu

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Money and Banking

ECNS 313

University of Montana

Fall 2021

Instructor: Matt Taylor

Email: matthew.taylor@mso.umt.edu

Office Hours: Tuesday 13:00-14:00, Wednesday 9:30-11:00

Lecture: TR 11:00-12:20

Lecture Location: FOR 206

CRN: 74476

Course Description: We will start by carefully defining money and its role in an economy. During this process, you will learn about the financial system and its primary functions. We will then explore interest rates and their behavior. Once we understand these fundamentals, we will examine the role of the Federal Reserve and how it conducts monetary policy. We will end the course by exploring monetary theory more deeply. During the course will discuss the causes of, and the policy responses to, the Great Financial Crisis (GFC) and the Covid-19 Crisis.

Covid-19 Related Information

- Mask use is required, regardless of vaccine status, in all UM classrooms and academic laboratories.
- To facilitate contact tracing efforts, please seat in the same seat each lecture. I will create a seating chart based on your position in our first lecture.
- I will take attendance each lecture, but it will not affect your grade.
- I may take a picture of the class each day to facilitate contact tracing efforts.
- Be prepared to use Zoom if the situation requires.

Prerequisites

- ECNS 202S: Principles of **Macroeconomics**

Required Text

- Frederic S. Mishkin, *The Economics of Money, Banking, and Financial Markets*.
 - I have enrolled our class in the all-inclusive e-book. You will be able to access the e-book through Moodle and your University account will be charged \$31.99. If you would like to opt-out of the e-book, you must do so through Moodle before the 15th day of the course.

- There is loose-leaf option available after the 15th day of the course at an additional cost. This option is unavailable if you opt-out of the e-book. Please let me know if you are interested in this option and I'll provide you with more information.

Course Websites

- **Moodle**

- You will be able to access the syllabus, grades, and the homework assignments in the course's Moodle page. I will also use Moodle to post announcements.

Grading Policy

Your final course grade will be determined as follows:

20%	Homework Assignments
5%	Reading-Assignment Quizzes
25%	Exam 1
25%	Exam 2
25%	Exam 3

Exams

There will be 3 exams each worth 25% of your overall class grade. If you must miss an exam because of quarantine, a University-related conflict, or other emergency situation, and I am notified either prior to, or immediately after, the exam, then we will make arrangements for addressing the missed exam (either a makeup exam or placing the weight of the exam on the other remaining exams).

If a student must miss the regularly scheduled Final Exam (Exam 3), then the student must complete a makeup exam at least 24 hours before my grades must be submitted to the Registrar. If the student cannot meet this deadline, then the student will receive an Incomplete in the course (assuming the other conditions for an Incomplete are met).

Exam dates are:

- **Exam 1: Tuesday, September 28, 2021**
- **Exam 2: Thursday, October 28, 2021**
- **Exam 3: Thursday, December 16, 2021 at 10:10 am**

Homework

I will post the assignments under the Assignments tab in Moodle. If you would like a paper copy of the assignment, please let me know I will provide you with one.

The due date for these assignments will be posted at the top of the assignment and they will be due at the beginning of lecture on the designated date. The assignment with the lowest percentage score will be dropped from your homework grade.

- **Late assignments:**

- Assignments submitted more than fifteen (15) minutes after the lecture's scheduled start time will receive a five-percentage point penalty.
- Assignments submitted after lecture has ended on the due date will receive a ten-percentage point penalty.
- An additional ten percentage point penalty will be incurred for each additional day that the assignment is late.

- **Assignment Grade:**

- A subset of the assigned questions will be randomly chosen for grading. These randomly chosen questions will determine your score for that assignment.
- No less than half the questions will be graded. In other words, if the assignment has three questions, at least two will be selected for grading. If the assignment has ten questions, at least five will be graded.
- At the grader's discretion, up to ten-percentage points may be deducted for homework that is unstapled, disorganized, or without a name. Illegible handwriting will be scored as incorrect—it is illegible, after all.

Reading-Assignment Quizzes

I will assign seven or eight short readings (typically news or blog articles) that you will be expected to read by a designated day. I will also provide you with four to six questions about the reading. During lecture, after the designated date, one of these questions will be selected at random and you will submit your response in writing. The questions will be designed so that a response of one to three sentences will be sufficient. Sometimes, a single word or number may be sufficient to receive full credit.

The responses will be graded using the following rubric:

No response/Unrelated response = 0

Attempted, but incorrect = 1

Correct = 2

Students with Disabilities

Whenever possible, and in accordance with civil rights laws, the University of Montana will attempt to provide reasonable modifications to students with disabilities who request and require them, as determined by the Office of Disability Equity (ODE). If you are a student with a disability who will require reasonable program modifications in this course, please email me as soon as possible to discuss reasonable modifications that may be necessary. For more information, visit the ODE website at <https://www.umt.edu/disability>.

Academic Integrity

All students must practice academic honesty. All students are expected to abide by the University of Montana Student Conduct Code. Any violators of the Student Conduct Code will be subject to punishment as outlined in the Student Conduct Code. For more information on the Student Conduct Code please consult the following website: <https://staging.umt.edu/student-affairs/community-standards/>.

Office Hour Expectations

1. If you come to my office hours, please wear a mask
2. We can also meet via Zoom

Electronic Device Policies

1. Set your phone to vibrate
2. Do not text excessively—that is, do not let it become a distraction to you, those around you, or me
3. If you take notes on your computer, please do not let your computer become a distraction to you, those around you, or me
4. No phones, computers, or tablets may be used during exams
5. If a student is not registered with Office of Disability Equity (ODE) and wishes to record classroom activity, discussions, and lectures, they must request my consent in writing, and they must receive my consent before any audio and video recording. A student registered with ODE who seeks to record classroom activities must inform me in a timely manner, so that I may inform the other students in the class that a recording is taking place.
6. Sharing of or selling recordings of classroom activity, discussions or lectures with any other person or medium without permission of the instructor is a violation of the UM Student Conduct Code, University Policy, and possibly applicable federal and international copyright laws. Montana Board of Regents Policy 401.3(C)—Copyrights

Outline of Course Material

The schedule should be viewed as tentative and may be subject to change throughout the semester.

Part I: Introduction

- Why Study Money, Banking, and Financial Markets (Reading: Chapter 1, pp. 1-16, 19-21)
- An Overview of the Financial System (Reading: Chapter 2, pp. 22-45)
- What is Money? (Reading: Chapter 3, pp. 49-60)

Part II: Financial Markets

- Understanding Interest Rates (Reading: Chapter 4, pp. 63-83)
- Behavior of Interest Rates (Reading: Chapter 5, pp. 86-113)
- Risk and Term Structure of Interest Rates (Reading: Chapter 6, pp. 117-137)

Part III: Financial Institutions

- Banking and Management of Financial Institutions (Reading: Chapter 9, pp. 188-194, 200-203)
- Financial Crises (Reading: Chapter 12, pp. 267-289)

Part IV: Central Banking and Conduct of Monetary Policy

- Central Banks and the Federal Reserve System (Reading: Chapter 13, pp. 293-310)
- Cecchetti & Schoenholtz. "A Primer on Central Bank Independence," Money & Banking blog. November 16, 2015. url: <https://www.moneyandbanking.com/commentary/2015/11/15/a-primer-on-central-bank-independence>
- The Money Supply Process (Reading: Chapter 14, pp. 318-339)
- The Tools of Monetary Policy (Reading: Chapter 15, pp. 343-366)
- The Conduct of Monetary Policy: Strategy and Tactics (Reading: Chapter 16, pp. 369-380, 394-397)

Part V: Monetary Theory

- Quantity Theory, Inflation, and the Demand for Money (Reading: Chapter 19, pp. 454-463)
- The Monetary Policy and Aggregate Demand Curves (Reading: Chapter 21, pp. 491-502)

- Aggregate Demand and Supply Analysis (Reading: Chapter 22, pp. 506-538, 541-548)
- Monetary Policy Theory (Reading: Chapter 23, pp. 549-572)

Learning Outcomes:

Students who successfully complete this course will be able to:

1. Explain the United States monetary system and describe the institutions that affect the money supply.
2. Demonstrate an understanding of how the U.S. banking system works.
3. Clearly explain the role of the Federal Reserve System in the economy and explain the tools the Federal Reserve System uses to control the money supply.
4. Explain and apply the standard models of monetary economics and use a monetary model to evaluate the monetary policy of a central bank.
5. Describe and explain the main controversies, issues, and debates in the field of monetary economics.