

ECON 310
Money and Banking

Instructor: August Hardy
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ECON 310-C01
Planetary Hall 127, TR 7:00-10:00 PM; S 8:30-11:30 AM
Office Hours: Scheduled as needed
Summer 2018

Syllabus for Econ 310 – Money and Banking

Course Focus:

Why should you study monetary economics? An understanding of how our money and banking system works is foundational to understanding the way our economy functions. Over the course of the semester, we will discuss the origins of money and monetary theory, the evolution of banking institutions such as the Federal Reserve, and the history of Money and Banking in the United States. After successfully completing this course, students will better understand the complex world of finance, be able to read the economic climate and make sense of the media, and explain the ways in which the historical development of money and banking in the U.S. shapes policy today. If you have any interest in financial markets, how banking works, and what it all might mean to you, this is the course for you.

Course Materials:

Required Textbooks: Money, Banking, and the Financial System; 3rd Ed. (2018) by R. Glenn Hubbard and Anthony Patrick O'Brien. Published by Pearson

Any edition should work for the class, particularly the 2nd or 3rd. You will need to read the textbook to succeed in the course.

Additional readings will be posted online.

Grading

Your final grade in the course will be determined by
Grades are based on the traditional 10-point scale.

Participation: 10%
Homework: 25%
Exams (2): 40% (20% each)
Final Exam: 25%

Homework: Homework will consist of short answer questions. These include fill in the blank, graphing, and/or written analysis. Homework must be submitted at the beginning of class on the day it is due. It will be posted on blackboard and e-mailed to the class.

Exams: There will be two exams during the semester. Each exam will include a mixture of multiple choice and short answer questions. Short answer questions typically involve graphing or solving an economic problem.

All exams are closed-book. There are no calculators or electronic devices permitted. The midterms are not cumulative, but the final exam is cumulative.

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Except for *very* rare circumstances, there are NO make-up exams; your final exam score will replace any missed midterms. These circumstances should be discussed immediately.

Attendance:

Attendance is not mandatory. However, I reserve the right to ask questions on the exams that may come more from the lectures than from the texts. To well in this course, attendance is strongly encouraged. If you miss a class it is your responsibility to obtain any class notes from other students.

Office Hours:

The best way to contact me is by email at rhardy3@masonlive.gmu.edu. I am usually very quick to respond to my e-mail. Given the small class size this semester, office hours will be scheduled on an as-needed basis.

Honor Code

George Mason University has an Honor Code, which requires all members of this community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited.

All violations of the Honor Code will be reported to the Honor Committee.

<http://oai.gmu.edu/wp-content/uploads/2015/07/Honor-Code-Final-2015-16.pdf>

Any student caught breaking any aspect of the honor code will receive a semester grade of "F" in the course.

Enrollment Statement:

Students are responsible for verifying their enrollment in this class. Schedule adjustments should be made by the deadlines published in the Schedule of Classes. (Deadlines each semester are published in the Schedule of Classes available from the Registrar's Website registrar.gmu.edu)

First Day of Class		6/26/18
Last Day to Add/Drop	(No tuition liability)	6/27/18
Final Drop Deadline	(50% tuition liability)	7/9/18
Last Day of Class		7/26/18
Final Exam	(7:30-10:15 AM)	7/28/18

After the last day to drop a class, withdrawing from this class requires the approval of the dean and is only allowed for nonacademic reasons.

Undergraduate students may choose to exercise a selective withdrawal. See the Schedule of Classes for selective withdrawal procedures.

Disability Statement:

If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Resources at 703-993-2474. All academic accommodations must be arranged through that office.

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Course Outline

Part 1: Monetary Theory

Class 1 (6/26) – Introduction to Money; The Supply and Demand for Money and Its Purchasing Power

- Chapter 2: Money and the Payments System 2.1, 2.2, 2.3, 2.4, 2.5

Class 2 (6/28) – The Financial System and Interest Rates

- Chapter 1: Introducing Money and the Financial System 1.1
- Chapter 3: Interest Rates and Rates of Return 3.1, 3.2, 3.3, 3.4, 3.5, 3.6

Class 3 (6/30) – The Bond Market, the Risk Structure and the Term Structure of Interest Rates

- Chapter 4: Determining Interest Rates 4.2, 4.3
- Chapter 5: The Risk Structure and Term Structure of Interest Rates 5.2, 5.3

(7/3) no class

Class 4 (7/5) – The Market for Foreign Exchange; Review

- Chapter 8: The Market for Foreign Exchange 8.1, 8.2, 8.3

Part 2: Banking Theory

Class 5 (7/7) – Exam 1 (Monetary Theory); The Balance Sheet of a Commercial Bank

- Chapter 10: The Economics of Banking 10.1, 10.2, 10.3

Class 6 (7/10) – The Balance Sheet of a Commercial Bank (cont.)

Class 7 (7/12) – The Basics of Central Banking

- Chapter 14: The Federal Reserve's Balance Sheet and the Money Supply Process 14.1, 14.2, 14.3

Class 8 (7/14) – The Monetary Policy of the Federal Reserve

- Chapter 15: Monetary Policy 15.1, 15.2, 15.3, 15.4

Class 9 (7/17) – The Structure of the Federal Reserve; Review

- Chapter 13: The Federal Reserve and Central Banking 13.1, 13.2

Part 3: A History of Money and Banking in the United States, 1790 - 2018

Class 10 (7/19) – Exam 2 (Banking Theory); The First (1791-1811) and Second (1816-1833) Bank of the United States

- Rothbard, Chapter 13: Central Banking in the United States I: The Origins (pp. 191-198)
- Rothbard, Chapter 14: Central Banking in the United States II: The 1820s to the Civil War (pp. 198-214)

Class 11 (7/21) – The Free Banking Era (1837-1861); The National Banking System (1863-1913)

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- Rothbard, Chapter 14: Central Banking in the United States II: The 1820s to the Civil War (pp. 214-218)
- Rothbard, Chapter 15: Central Banking in the United States III: The National Banking System (pp. 219-234)

Class 12 (7/24) – The Federal Reserve System, the Pre-Bretton Woods era (1913-1945) and Bretton Woods Era (1945-1971)

- Rothbard, Chapter 16: Central Banking in the United States IV: The Federal Reserve System (pp. 235-246)
- Rothbard, Chapter 17: Conclusion: The Present Banking Situation and What to Do About It (pp. 247-252)
- Chapter 16: Adapting Fixed Exchange Rates: The Bretton Woods System 16.4
- Chapter 17: Monetary Theory I: The Aggregate Demand and Aggregate Supply Model 17.3

Class 13 (7/26) – The Federal Reserve System, the post-Bretton Woods era: 1971-2018; Review

- Chapter 1: Introducing Money and the Financial System 1.2
- Chapter 12: Financial Crises and Financial Regulation 12.3

FINAL EXAM Saturday 7/28 7:30-10:15 AM