

MONETARY ECONOMICS - EC 306
Spring 2015

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SCOPE: The objective of this course will be to understand the close interrelationships among interest rate determination, financial institutions, the monetary system and the economy. In particular, we will examine how money, interest rates, banking, and monetary policy affect, and are affected by, the economy. Of special interest for us is how developments in financial institutions, financial instruments, and markets have and are affecting the conduct of monetary policy and the economy.

Objectives:

Monetary Economics will introduce you to:

1. An understanding to how market interest rates are determined
2. The role of private and official financial institutions in finance and financial crises
3. The economic theory and policy of the monetary system

TEXTBOOKS:

Mishkin, Frederick S. The Economics of Money, Banking, and Financial Markets. Tenth Edition, ISBN -13: 978-0-13-277024-8

McArthur, John and Mishkin Frederick Study Guide and Workbook to accompany Frederick S. Mishkin text.

Wall Street Journal- You will need to order this.

In Olin Library and Economics department lounge- *Federal Reserve Bulletin and commentaries*.

The issues of this subject are constantly under discussion in television newscasts, in newspapers, and in magazines. You will find the discussions in these media very helpful in understanding and giving perspective to the scope of this class. I realize that this subject matter goes beyond simple interest for many of you. Please, stop by my office to talk with me about financial markets and or the Fed and monetary policy.

ASSESSMENT: There will be three (with the possibility of a fourth) exams (10% of final grade each) and a final comprehensive exam (20 or 30% of final grade depending on whether there is a fourth exam)). 20% of the final grade will be fulfilled by two written projects (10% for each. The first one will require a trip to writing center). The first paper will be on the financial crises of 2007-8 (more info on this to come). The second written paper will be a term paper on one of the topics of the course. For this project you will choose a topic (I can recommend one, if you wish), base it on research from at least two academic sources (like from the Federal Reserve Bulletins, or the Bank for International Settlements), and construct and present to me your thesis statement or question of research interest for approval.

The remaining 20 % of your grade will be assigned based on homework and classroom participation. You must treat each of these methods for assessment seriously.

HOMEWORK: You will be required to write up a one page summary for every chapter that is assigned in this class. **The summary will be followed by one or two questions that reflect an understanding, but raise additional questions on the material assigned.** Each homework assignment will be graded as 0, 1-, 1, or 1+ depending on how well you summarize and the quality of your questions. Each point is one percent of your final grade. Two 1 minus will result in earning only 1 point towards your final grade. Two 1 pluses gets you three points towards your final grade. This approach creates the possibility of a 75 final score on papers and tests to become an 80 as the final grade. Watch my demonstration in class of this.

Testing you is one of my most important teaching tools. It is the time where I go one on one with you, where I evaluate, and when necessary correct, your effort, progress, and methods of analysis. As such, you will learn more from taking and reviewing a test than any other classroom activity. So, make sure you come to the class period after the test, when we go over the test together. Also, know that I view tests more as learning activities than as evaluations etched in stone (at least until the final exam). Show me that you have: learned, by applying this analysis to local, national, and world events; that you understand the historical, social, and political content of this analysis; and that you can reflect on all of the above in your own voice by and through the final exam and you will get an A in this course.

To receive an "A" in this course, you will need to:

- a) Have read the material, do the homework well, and be prepared to discuss or ask questions about this material in class
- b) Understand and convey the historical, social, and political context of your Economic Analysis and connect this analysis to current world and national events
- d). Reflect on the above with your own voice.
- e) Have a total score of 90 or above.

For a "B" your total score falls within 83-87

For a "C" your total score falls within 73-77

For a "D" your total score falls within 63-67

Up to two points above these scores earns you a plus while up to three points below this range earns you a minus.

For a "F" your total score falls below 59

As you have probably gathered by now, you have some work and challenges ahead of you. However, the difficulty associated with learning the material of Monetary Economics is more than compensated by its importance and interest. If you do the work and persevere to the end of this course, you will find that you will understand and be able to tie the financial world around you, a little better. You may find this to be even more rewarding than an A.

Office Hours:

My office is CSS 261. My office hours this term will be 9:00 to 11:30 on MW. In addition, I will welcome meeting with you at other times. I will be in my office nearly every day by 8 AM, so please stop by and we can talk or make an appointment for another time. Please feel comfortable to contact me during any reasonable time for an appointment. Office phone: 646-2510,

E-mail Hkypraios@rollins.edu

PROSPECTIVE COURSE OUTLINE

1/12 – Introduction

1/14 -Chapters 1, Why Study Money Banking, and Financial Markets
Chapter 2, An overview of the Financial System

1/21 – Chapter 3, What is Money?
Chapter 4, Understanding Interest Rates

1/26 – Continue ch4 & Chapter 5, The Behavior of Interest Rates; pages 88-103

1/28 - Chapter 5, pages 103-115

2/2- Chapter 6, The Risk and Term Structure of Interest Rates

2/4- Exam 1

2/9- Chapter 7, The Foreign Exchange Market

2/11- Exam 2

2/16- Chapter 8, An Economic Analysis of Financial Structure

Chapter 10, Banking and the Management of Financial Institutions

2/18 cont.

2/23- Chapter 9, Financial Crises
First Paper on 2007-8 financial crises

2/25- Chapter 11, Economic Analysis of Financial Regulation

3/9- Chapter 12, Banking Industry: Structure and Competition

3/11- third exam

3/16- Chapter 13, Central Banks and the Federal Reserve System
Chapter 14, The Money Supply Process

3/18- Chapter 14, The Money Supply Process

3/23- Chapter 15, Tools of Monetary Policy

3/25- Chapter 16, The Conduct of Monetary Policy: Strategy and Tactics

3/30 fourth exam

4/1- Submit topics (with annotated bibliography from at least two academic sources) for second writing assignment for approval.

4/6- Chapter 19, Quantity Theory, inflation, and the Demand for Money

4/8- Chapter 21, The monetary Policy and Aggregate Demand Curves

4/13- Chapter 22, Aggregate Demand and Supply Analysis

4/15- Chapter 23, Monetary policy Theory

4/20- Chapter 25, Transmission Mechanisms of Monetary Policy

4/22- possible fifth Exam

4/27 Chapter 18.

Final Exam- TBA (probably May 4 at 5 PM)

Readings and homework will be assigned in class for subsequent periods. Be forewarned; we will be covering one to two chapters per week. You are responsible for all the material assigned in class, whether discussed in class or not. Of course, you are also responsible for all material discussed in class even if not included in the assigned readings. If you are prone to miss a class, it would be wise to consult with a friend who attended that day.

THE ACADEMIC HONOR CODE

Membership in the student body of Rollins College carries with it an obligation, and requires a commitment, to act with honor in all things. Because academic integrity is fundamental to the pursuit of knowledge and truth and is the heart of the academic life of Rollins College, it is the responsibility of all members of the College community to practice it and to report apparent violations.

The following pledge is a binding commitment by the students of Rollins College:

The development of the virtues of Honor and Integrity are integral to a Rollins College education and to membership in the Rollins College community. Therefore, I, a student of Rollins College, pledge to show my commitment to these virtues by abstaining from any lying, cheating, or plagiarism in my academic endeavors and by behaving responsibly, respectfully and honorably in my social life and in my relationships with others.

This pledge is reinforced every time a student submits work for academic credit as his/her own. Students shall add to all papers, quizzes, tests, lab reports, etc., the following handwritten abbreviated pledge followed by their signature:

“On my honor, I have not given, nor received, nor witnessed any unauthorized assistance on this work.”

Material submitted electronically should contain the pledge; submission implies signing the pledge.

STUDENTS WITH DISABILITIES

Institutional Commitment for Students with Disabilities

Rollins College is committed to equal access and does not discriminate unlawfully against persons with disabilities in its policies, procedures, programs or employment processes. The College recognizes its obligations under the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 to provide an environment that does not discriminate against persons with disabilities.

If you are a person with a disability on this campus and anticipate needing any type of academic accommodations in order to participate in your classes, please make timely arrangements by disclosing this disability in writing to the Disability Services Office at

(box 2613) - Thomas P. Johnson Student Resource Center, 1000 Holt Ave., Winter Park, FL, 37289 or call 407-646-2354 for an appointment.

The College can also help with a trained note-taker, if there is one in the class room.