Economics 303: Money & Banking (Fall 2007)

Prerequisites: EC 221 and EC 222. This class meets from 2:30 – 4:00 on Tuesdays and Thursdays in Merrill 220.

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Office Hours: Tu – Th 1:00-2:00 and 4:00-5:30, and by appointment

Required text:

Optional text:

Overview:
This course aims to provide a critical understanding of the theory, history, and policy of monetary and banking institutions. We will be covering a lot of ground. Lectures will be coordinated with chapters of the required text (as indicated below), but will also amplify, modify, and supplement what is found there. Understanding the text is crucial, but is not enough: equally important for mastering the course material is taking good lecture notes and studying them.

Requirements:

- three midterm exams worth 100 points each
- cumulative final exam worth 150 points, as scheduled by the University.

Students are required to take three midterm exams. The final grade is based on the two highest midterm exam scores and the final exam score. The following grading scale will apply to all items:

90 -100%, A  
80 - 89.99%, B  
70 – 79.99%, C  
60 - 69.99%, D  
less than 60%, F

Extra Credit:
Extra credit is possible for students opting to take three extra credit quizzes that will cover Rothbard’s What Has Government Done to Our Money. The times for these quizzes will be announced in class.
Fine Print:
(1) The midterm exams will each be given only on the dates scheduled. Make-up exams will be given for students who miss a test due to (i) university-approved functions, (ii) death in the immediate family, and (iii) provable sickness requiring a doctor visit. (2) Failure to take the final exam at the scheduled time will result in an exam score of zero (absent a valid medical excuse or certified exam conflict). (3) Performance on these exams and extra credits will be the only basis for grading (no additional projects will be offered or accepted). Grades are not negotiable. (4) Exam-taking is governed by the University's academic honesty policy listed in the JSU Student Handbook.

Grade Appeals:
I handle grade appeals in only one fashion. Should you be dissatisfied with your grade on any work, do the following: (1) Write a short description of why you believe you should have received a higher grade. Simply asking for more points (e.g., "I need a C so my GPA doesn’t drop") is insufficient. If your statement concerns the fairness of the grade, then you must convince me that you were treated unfairly. (2) Hand in the test or assignment in question along with your written statement no later than the next class period after it was returned to you.

You should not infer that following this process will guarantee a higher grade.

Attendance:
Attendance strongly encouraged, as the material is cumulative in nature. Missing a class is especially harmful to your grade. Other required readings will be posted to the web site and will be announced in class. Test questions will be drawn from class notes and readings, so no one should rely entirely upon a single source. If you miss class, it is your responsibility to get the notes from another student; I do not give out my notes.

Other:
Any student who receives failing grades during this course is urged to discuss this with the professor.

Tests and calculators: Sharing calculators is strictly forbidden during tests because answers can be passed too easily.

Due to the size and length of the class, all tests will be graded via Scantron machines. Students are expected to purchase Scantron Form 882 for each test and the final. See what it looks like at www.jsu.edu/depart/ccba/cwestley/Scantron882.jpg. (Forms are on sale at the campus bookstore.)

Disability Accommodations Statement: Any individual who qualifies for reasonable accommodations under the Americans with Disabilities Act or Section 504 of the Rehabilitation Act of 1973 should contact the instructor immediately.
Schedule of Lectures, Exams, and Readings

Note: Numbers below correspond to the 27 class meetings, but the schedule is highly tentative. We may at times be ahead; at other times behind. There will be no class on Thursday, October 11. An outside-of-class assignment will be scheduled for that day.

A. Fundamentals of Money and Financial Markets

1-2. The nature and evolution of money (read: Hubbard ch. 1,2)

3. Overview of the financial system (read: Hubbard ch. 3)

4-5. Interest rates and rates of return (read: Hubbard ch. 4)

6. Determining interest rates (read: Hubbard, ch. 6)

7. Risk and term structure of interest rates (read: Hubbard, ch. 7)

8. Credit and debit card primer

First exam: September 27, 2007

B. Commercial Banking, Regulation, and Inflation

9-10. Information and Market Efficiency (read: Hubbard, ch. 10)

11. Reducing transaction and information costs (read: Hubbard, ch. 11)

12. What financial institutions do (read: Hubbard, ch. 12)

13-14. How inflation happens

15. Inflation with 100 percent reserve banking

16-17. The business of banking (read: Hubbard, ch. 13)

C. Central Banking, Monetary Policy, and the Economy


22. Capture theory and banking

Second exam: October 25, 2007

23. The money supply process (read: Hubbard, ch. 17)

24. Organization of central banks (read: Hubbard, ch. 19, 20)

25-26. The conduct of monetary policy (read: Hubbard, ch. 21)

27. The demand for money (read: Hubbard, ch. 23)

Third exam: November 27, 2007

**Final exam: December 6 at 1:00 PM**

*All changes to this syllabus will be at the discretion of the instructor.*