ECON 276-00: MONEY AND BANKING
(Fall 2012)

Class Time: MW: 9:50am - 11:00pm
F: 9:40pm - 10:40pm
Office: Willis Hall 322
Professor: Bruce A. Wambheim
Email: bwambheim@carleton.edu
Office Hours: MW 2:00-3:00, TTh 10:00-11:00, or by appointment. In addition, you may email me or you may call my office or my cell phone (however, calls to my cell phone after 9:00 pm may be reflected in your grade).

Course Description
This course is designed to introduce students to the role of money in the economy, the institutional characteristics of the banking system, and the functioning of domestic and international financial markets. The course will examine the role of money and monetary institutions in the determination of income, employment, and prices in domestic and world economies, focusing on the role of commercial banking and financial markets in a market based economy. In addition, the course will analyze the causes and effects of, and policy responses to, the financial crisis of 2007-2009. Keeping a balance between theory and policy, the course will combine theoretical analyses with empirical investigations of the regularities underlying the monetary economy.

Topics covered will include: the role and nature of money, financial institutions and markets, banking structure and regulation, determinants of interest rates, central bank policy, and exchange rates and the international monetary system.

Prerequisites: Economics 110 and 111. Material covered in these classes will be assumed. If you are rusty on this subject matter, you may want to obtain a principles text for review. Also, please don’t hesitate to ask me, in or out of class, for help with material from these courses.


Grades: Grades will be based on your performance on two midterm exams, a final exam, quizzes, several exercises, a group presentation, and class participation. Your final grade will be determined on a percentage basis according to your cumulative total points for all graded work.

The weight distribution for your final grade will be as follows:

Exams 70%
Exercises 15%
Presentation 10%
Quizzes 5%

Examinations: All exams will cover material presented in class and material from assigned readings, including material from readings not presented in class. The final exam is not, per se, cumulative, however, material from later chapters does build on material from earlier chapters.

The dates for the midterm exam and the final exam are given in the reading schedule below. Although unlikely, the midterm exam date may be changed. The date and time given below for the final exam will not be changed, and the final exam will not be given early.

Assignments and Quizzes: The due dates for homework assignments will be announced when they are assigned. Late homework assignments will not receive full credit. Quizzes will precede the Case Study presentations, and will address the Case Study reading for the day.

Group Presentations: You will do a single presentation of a case study as part of a group. Guiding questions will be provided for each case study, as well as presentation expectations and guidelines.

Attendance: There is no mandatory attendance policy for this class. The informal attendance policy is the following: Do Not Miss Class. There is a very high (negative) correlation between absences and how well students do in this class. In addition, attendance and class participation will have a strong subjective influence on your final grade at the margin. More than two absences will negatively impact your grade.

Reading Schedule: The reading schedule below is a guideline only. It is likely that we will proceed through some of the chapters in more or less time than I have allotted for the readings. I will alert you concerning any changes to the reading schedule as we proceed through the term.
# Reading Schedule

| Week 1: Sept. 10-14 | Ch. 1: Why study Money, Banking, and Financial Markets?  
| | Ch. 2: An Overview of the Financial System  
| | Ch. 3: What is Money?  
| | Case Study: Canadian Tire Coupons  
| | Ch. 4: Understanding Interest Rates  
| Week 2: Sept. 17-21 | Ch. 5: The Behavior of Interest Rates  
| | Ch. 6: The Risk and Term Structure of Interest Rates  
| Week 3: Sept. 24-28 | Mon. (9/24) - Case Study: Treasury Inflation-Protected Securities  
| | Ch. 7: The Stock Market, the Theory of Rational Expectations, and Efficient Market Hypothesis  
| | Irrational Exuberance. Chs. 1, 9 (pp. 3-14, 171-190)  
| | Ch. 17: The Foreign Exchange Market  
| Week 4: Oct. 1-5 | Ch. 9: Financial Crises  
| | Ch. 10: Banking and the Management of Financial Institutions  
| | Fri. (10/5) - Case Study: Banc One Corporation: Asset & Liability Management  
| Week 5: Oct. 8-12 | Ch. 11: Economic Analysis of Financial Regulation  
| | Wed. (10/10) - Case Study: The US Banking Panic of 1933 and Federal Deposit Insurance  
| | Fri. (10/12) - Midterm Exam (Chs. 1-7, 9-11, 20)  
| Week 6: Oct. 15-19 | Mon. (10/15) - No Class - Midterm Break  
| | Mon., 10/15: Midterm Break  
| | Ch. 12: Banking Industry: Structure and Competition  
| | Ch. 13: Central Banks and the Federal Reserve System  
| Week 7: Oct. 22-26 | Ch. 14: The Money Supply Process  
| | Ch. 15: Tools of Monetary Policy  
| | Ch. 22: Aggregate Demand and Supply Analysis  
| | Ch. 22 Appendix: The Phillips Curve and the SRAS Curve  
| Week 8: Oct. 29-Nov. 2 | Ch. 16: The Conduct of Monetary Policy: Strategy and Tactics  
| | Ch. 18: The International Financial System  
| | Fri. (11/2) - Case: The Asian Financial Crisis: Indonesia and the Currency Board Proposal  
| Week 9: Nov. 5-9 | Ch. 19: Quantity Theory, Inflation, and the Demand for Money  
| | Ch. 23: Monetary Policy Theory  
| | Wed. 11/14: Last Day of Classes  
| Final Exams: Sat.-Mon. | Final Exam: Monday, Nov. 19, 3:30-6:00 pm |